



Building a sustainable and inclusive future

Our purpose is Helping Britain Prosper

As the UK's largest financial services provider with 28 million customers, we have an important role to play in creating a more sustainable and inclusive future for people and businesses, by shaping finance as a force for good.



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See our full reporting suite on
the sustainability downloads page of our website.

Our 2025 reporting suite

Our 2025 report provides an update on how we are Helping Britain Prosper in a way that delivers long-term profit and returns, whilst creating a more sustainable and inclusive future for people and businesses, shaping finance as a force for good.

Our reporting suite

The content in this report is subject to the statements included in: (i) the 'Forward looking statements' section; and (ii) the 'Sustainability metrics basis of reporting' which details how our metrics are calculated.

Sustainability is considered in a number of documents across our reporting suite.

Our ESG scores can be found online at [sustainability downloads](#) →



[Annual report and accounts](#) →



[Sustainability report](#) →



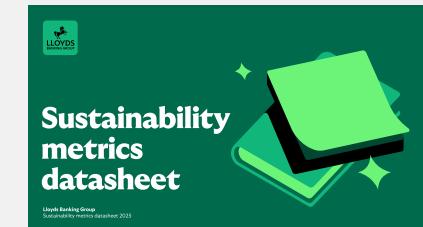
[Gender and ethnicity pay gap report](#) →



[Sustainability metrics basis of reporting](#) →



[Modern slavery and human trafficking statement](#) →



[Sustainability metrics datasheet](#) →

Scope of this report

Within this report, reference to the Group covers our core divisions.

Reference to Bank is limited to our Retail and Commercial Banking operations. Scottish Widows relates to our Insurance, Pensions and Investments activities. Housing Growth Partnership (HGP) and LDC form part of Equity investments.

The data and examples in this report reflect activities undertaken during the 2025 financial year (1 January to 31 December 2025) and, where relevant to performance, activities and events before and after this period. The report includes information about Lloyds Banking Group and its subsidiaries.



Retail



Insurance, Pensions and Investments



Commercial Banking

Equity Investments and Central Items includes the Group's equity investments businesses.

Group Chief Executive's statement

Charlie Nunn
Group Chief Executive



[Read full biography →](#)

“Our support for major national projects, including Sizewell C, reflects our commitment to backing large-scale, clean power that will help secure reliable, affordable UK energy.”

Our purpose pillars

Our strategy is driven by our purpose, with each of the five pillars below woven into our core strategic priorities and helping deliver shareholder value.



Access to quality and affordable housing

To help all UK households regardless of income or tenure



Empowering a prosperous future

For our customers and businesses



Supporting regional development and communities

As our success is intrinsically linked with their success



Building an inclusive organisation

To better support our customers and communities



Supporting the UK's transition

By providing financial solutions and building resilience

The Group is committed to a purpose-driven strategy that supports the needs of our customers, colleagues and communities, while delivering long-term sustainable returns and creating value for shareholders.

Our 2025 report showcases how we are Helping Britain Prosper by growing our business profitably and creating a more sustainable and inclusive future for people and businesses. I am pleased to update on the considerable progress made over the last year and want to highlight some of our top priorities.

Access to quality and affordable housing

We are proud to play a leading role in the UK's housing market, working with communities, developers and local partners to accelerate the delivery of quality, affordable homes for people who need them most.

In 2025, we provided £17 billion to first-time buyers, supporting business growth and helping 70,000 customers onto the property ladder. Last year, we strengthened our mortgage offering with the launch of 'First Time Buyer Boost', making an additional £5 billion available to customers who may previously have missed out on securing a mortgage. By making home ownership possible for thousands more people, 'Boost' is helping customers realise their ambition of home ownership, while driving income growth in a competitive market.

The Group has a long-standing commitment to support the social housing sector and our financing is helping more people access secure, affordable homes, while strengthening lending growth. A brilliant example is our £100 million financing agreement with the Sovereign Network Group, which will fund the retrofit of 4,500 social homes. This support will improve energy efficiency, aiming to make these homes cost-effective, comfortable and quality places to live.

Beyond championing the social housing sector, we are broadening access to home ownership and making it easier to access new, energy-efficient family homes. Through Lloyds Living, we now operate a growing portfolio of over 5,450 professionally managed homes, offering more rental and shared ownership options across the UK. Through our market-leading role in the UK's housing sector, we are successfully growing our business, while helping more people move into quality homes and build their futures.

Empowering a prosperous future

As the UK's only integrated financial services provider we are deeply committed to empowering our customers to achieve their financial ambitions. Our products and services support people through some of their biggest milestones, be it saving for a home, starting to invest or planning for retirement.

Since launching Ready-Made Pensions in 2024, we've opened over 7,000 accounts, helping customers access simple, flexible ways to build their retirement savings. Our Ready-Made Investments are empowering people to take control of their finances, with c.84,000 customers starting to invest since launch. With a market-leading fund charge, more of our customers' money is invested directly into their futures, with over £500 million invested to date. Both offerings mean we're supporting a growing customer base, while contributing to an increase in other operating income through management fees.

We are using our extensive data and digital capabilities to strengthen customers' credit health and improve access to borrowing. Over 500,000 customers improved their credit scores every quarter last year, building resilience and confidence. Our Benefits Calculator highlighted £93.3 million of support payable to customers, and we paid £9.1 billion in interest payments in 2025, supporting everyday resilience and deepening customer and client relationships.

Supporting regional development and communities

We are committed to supporting growth and creating opportunities in regions and communities across the UK.

In the North West, we acted as mandate lead arranger for a £154 million debt commitment to a critical carbon capture infrastructure project that creates 2,000 jobs, demonstrating how our finance delivers commercial growth and regional development, while reducing emissions.

Group Chief Executive's statement continued

Our progress

£21.9bn

of sustainable finance in 2025

£1bn
commitment to
finance opportunities
aligned to our Regional
Impact Fund

17.5%
of executive roles held by
Black, Asian and Minority
Ethnic colleagues in 2025

>£22bn
of social housing financing
supported since 2018

£17.0bn
lending provided
to first-time buyers
in 2025



Purpose in action

Empowering customers for digital success

The Consumer Digital Index is a comprehensive study of digital and financial lives. As the nation's largest digital bank, we use our unique data and expertise to deliver powerful insights through this report.

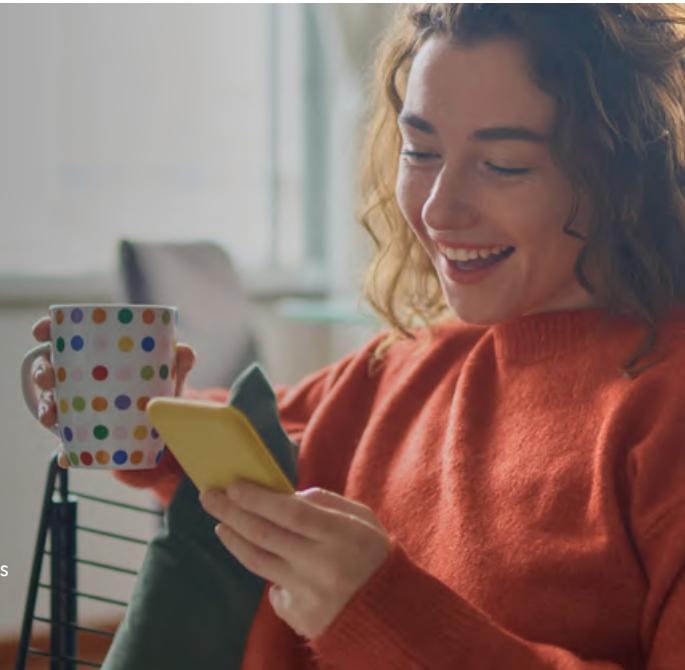
Our 2025 findings reveal a major shift, with more than 28 million adults now using AI tools to manage their money, from everyday budgeting to savings goals and financial education. Further information can be found on [page 33](#).

We're committed to ensuring everyone has the tools, confidence and access to thrive in a digital-first economy. Through Lloyds Bank Academy, c.428k individuals have benefitted from our digital and financial skills programmes in 2025, empowering our customers with knowledge and building a more resilient, inclusive financial future.

Last year, we supported the Community Development Finance sector as it continues to scale. Our initial £43 million investment in 2024, delivered through the £1 billion Regional Impact Fund, has since supported over 370 regional businesses and helped unlock new capital in local economies.

Our Lloyds Bank Foundations are another useful community asset and we marked their 40th anniversary in 2025. Since the Foundations were established in 1985, we have donated over £800 million and countless hours of our colleagues' time in support of small and local charities across the UK. Beyond our Foundations, our colleagues also spent more than 11,000 hours volunteering for national homelessness charity Crisis, raising almost £5 million since the start of our partnership in 2023.

Our deep-rooted presence in UK communities reflects the enduring impact of our charitable initiatives and the strength of our commercial success, working together to create lasting value for customers and communities.



Building an inclusive organisation

We are clear that our workforce needs to reflect the customers and communities we serve. Over the past year, we have continued to advance our 2030 inclusion ambitions, strengthening our focus on increasing representation in executive roles. We remain committed to removing barriers and providing opportunities for people to reach their potential regardless of their socio-economic backgrounds. In 2025, our youth outreach programmes supported over 100,000 people across school, college and university, building essential skills and strengthening the Group's talent pipeline.

Ensuring that we build an inclusive workforce means we can attract – and retain – the exceptional talent we need to deliver on our strategy and build a business that meets evolving customer needs.

Supporting the UK's transition

We continue to strengthen the resilience of our balance sheet and investment portfolios by deploying capital to support the UK's transition. Since 2022, we have provided £70.9 billion of sustainable finance and we have now invested £81.3 billion in climate-aware strategies since 2020.

We are structuring new forms of finance that link institutional capital to critical national infrastructure. One example is our support for the first corporate issuance of a blue bond in sterling, co-ordinating £250 million for London's Thames Tideway Tunnel. Once complete, the tunnel will reduce pollution and support the capital's long-term water resilience. It showcases how innovation in sustainable finance can drive positive societal impact and robust financial outcomes.

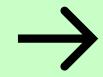
Alongside this leadership in nature-based finance, we continue to play a critical role in strengthening the UK's energy security. Our support for major national projects, including Sizewell C, reflects our commitment to backing large-scale, clean power that will help secure reliable, affordable energy for the UK. These examples underline how we are supporting the long-term resilience of critical infrastructure, while unlocking significant commercial growth opportunities aligned to the UK's transition.

Continuing to deliver in 2026

We continue 2026 from a position of strength with a clear focus on purposeful growth. By combining positive impact with sustainable, long-term returns, we will continue to deliver on our purpose of *Helping Britain Prosper*.

Charlie Nunn

Charlie Nunn
Group Chief Executive



Our Group strategy

We are Helping Britain Prosper by creating a more sustainable and inclusive future – shaping finance as a force for good.

Our vision is to be the UK customer-focused digital leader and integrated financial services provider, capitalising on new opportunities, at scale.

We are committed to delivering profitable solutions that advance a more inclusive and sustainable UK.

By staying true to our purpose and prioritising the needs of our customers, colleagues and communities, we unlock new growth opportunities, strengthen business resilience, and generate sustainable, long-term returns for our shareholders.

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See our full reporting suite on the sustainability page of our website.



Our Group strategy continued

What we do

Our business model is focused on Helping Britain Prosper in a way that delivers sustainable profit and returns



Our purpose

Helping Britain Prosper. We do this by creating a more sustainable and inclusive future for people and businesses, shaping finance as a force for good.

Our vision

To be the UK customer-focused digital leader and integrated financial services provider, capitalising on new opportunities, at scale.

Our competitive advantages

- **Leading UK customer franchise with deep customer insight**
- **All-channel distribution with digital leadership and trusted brands**
- **Unique customer proposition**
- **Innovation through modern and transformative technology**
- **Operating at scale with cost discipline**
- **Focused and capital-generative business model**
- **Financial strength and robust risk management**
- **Dedicated colleagues with strong values**

For more information on our competitive advantages see page 06 of our [annual report and accounts](#) →

We have three core divisions that have been structured to serve our customers' needs effectively



Retail

Consumer relationships
Current accounts
Savings accounts
Mass affluent proposition
UK private bank

Consumer lending
Mortgages
Credit cards
Personal loans
Motor finance



Insurance, Pensions and Investments

Insurance
Home, Motor, Health and Pet Protection

Pensions and retirement
Workplace pensions
Direct to customer pensions
Retirement

Investments
Ready-Made Investments
Share dealing



Commercial Banking

Business and commercial banking
Business loans
Transactional banking
Working capital
Merchant services

Corporate and institutional banking
Lending and debt capital markets
Cash liquidity
Risk management

In addition, **Equity Investments** and **Central Items** includes the Group's direct investments businesses.

Our trusted brands

With over 325 years' heritage across our family of brands, we serve and support the evolving needs of our customers and clients across the UK.



Our values

These values are at the heart of everything we do – guiding our decisions, shaping our culture, and driving our purpose of Helping Britain Prosper.

People-first

Bold

Inclusive

Sustainable

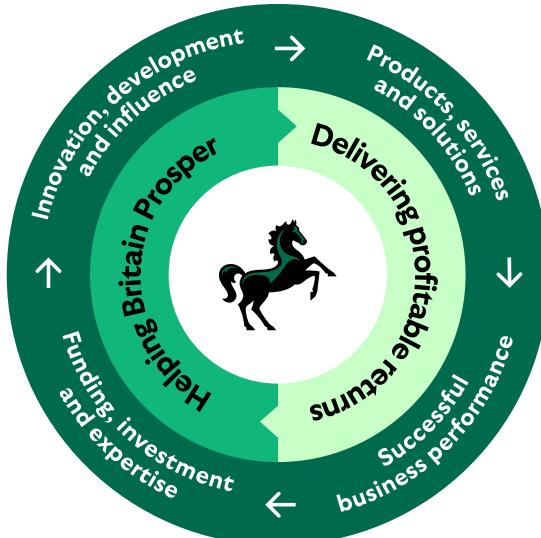
Trust

Our Group strategy continued

How we do it

We deliver for our customers by focusing on their needs, continually innovating the products and services we offer, developing and investing in new solutions, and using our expertise and influence to create positive change.

How we serve our customers



Innovation, development, influence

Driving innovation through effective use of customer feedback, data and technology ensures we remain relevant to the customer whilst enhancing industry standards. Our commitment to digital transformation is critical for future growth and sustainability.

Products, services and solutions

Offering a comprehensive range of financial products and services, increasingly through digital channels. We tailor these offerings to meet individual and business needs, ensuring customers have access to the right financial solutions.

Successful business performance

Delivering sustainable profit and growth based on financial strength ensures we can invest for the future, both in the business and customer propositions, whilst returning capital to our owners.

Funding, investment and expertise

Ongoing investment in the business ensures we can meet the evolving needs of our customers in a commercial way. Our significant funding helps people and businesses invest and grow whilst our expertise and tailored solutions help clients navigate financial challenges, fostering success and sustainable returns.

Our impact

Sustainable and inclusive growth



Customers

We provide financial services to over half of the UK adult population and more than one million businesses.

By meeting our customers' needs we're unlocking sustainable growth.



Colleagues

We are committed to building an inclusive and sustainable organisation that is truly representative of our customers.

We recognise that colleagues who can be their authentic selves at work are central to our success.



Communities

Our success is intrinsically linked with the success of all regions across the whole of the UK.

When local people, local businesses, and their communities prosper, so do we.

c.£14bn

of sustainable finance provided for Commercial Banking customers in 2025

£7.5bn

of new-tax free savings supported through ISA propositions in 2025

19.0%

of our senior roles were held by colleagues with disabilities in 2025

17.5%

of our executive roles held by Black, Asian or Minority Ethnic colleagues in 2025

£3.2bn

of new finance supported in the social housing sector in 2025

>£1.8m

raised by our colleagues and customers to support Crisis and Simon Community in 2025

Sustainable profit and returns



Shareholders

Our strategic progress, coupled with our financial results and continued investment, reinforces our confidence in achieving our 2026 guidance.

The Group's sustained strength in financial position has delivered strong capital generation, enabling an increased dividend and a £1.75 billion share buyback.

3.65p

total proposed ordinary dividend per share for 2025, up 15%

£3.9bn

returned to shareholders for 2025

Our Group strategy continued

Helping Britain Prosper

By creating a more sustainable and inclusive future for people and businesses – shaping finance as a force for good.

Grow

Drive revenue growth and diversification

Focus

Strengthen cost and capital efficiency

Change

Maximise the potential of people, technology and data

Our purpose pillars

Embedding sustainability in all that we do while acting in a trusted and responsible manner



Access to quality and affordable housing



Empowering a prosperous future



Supporting regional development and communities



Building an inclusive organisation



Supporting the UK's transition



See page → 12



See page → 22



See page → 37



See page → 48



See page → 60

Driving business decisions to create value

Purpose pillars highlights

Delivering on our objectives across the pillars, we can create further commercial growth opportunities as well as positive outcomes for our stakeholders and thus build a more resilient and profitable business to deliver higher, more sustainable returns for our shareholders.



We remain committed to building a sustainable and inclusive future. See the next page for highlights.

UN Sustainability Development Goals

As a purpose-driven organisation, we have an opportunity to play our part in helping the UK to meet the targets set by the UN Sustainable Development Goals (SDGs). They provide a common framework for us to identify how we can play a more active role in the sustainable development of UK society and help us frame how we use our operating model, scale, resources and skillsets to respond to some of the biggest societal challenges faced by the UK today.

Throughout this report we have demonstrated how our activities support the achievement of specific SDG sub-targets through selected examples and case studies.

Link to strategy

Up arrow icon **Grow** Green arrow icon **Focus** Purple triangle icon **Change**

Our Group strategy continued

Access to quality and affordable housing

£3.2bn

of new finance supporting the social housing sector of which £2.3 billion was sustainability-linked/sustainability-labelled financing



Empowering a prosperous future



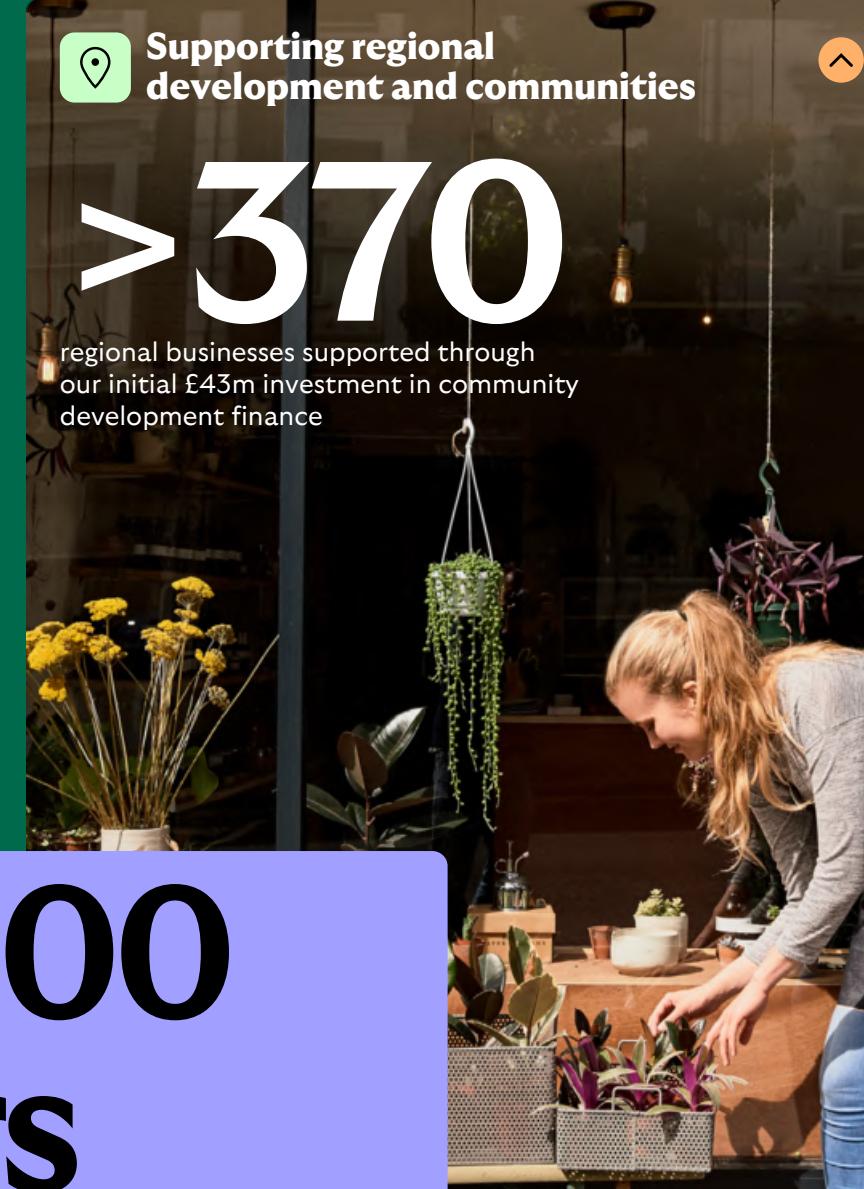
38,000 hours

of targeted support for Black, women and disabled entrepreneurs

Supporting regional development and communities

>370

regional businesses supported through our initial £43m investment in community development finance



Supporting the UK's transition

170

key suppliers assessed against our Emerald Standard representing more than 80% of supply chain emissions and spend



Building an inclusive organisation



Developed our new inclusion ambitions to 2030 for executive roles



Link to strategy



Grow



Focus



Change

Our Group strategy continued

→ Value chain and materiality

At the heart of our purpose is a desire to create value for all our stakeholders by understanding what matters. Engaging with and listening to our stakeholders is intrinsic to our business and acting in a trusted and responsible manner.

Our role as a UK-based financial institution is to facilitate the flow of funds between participants in the UK economy, act as custodians of financial assets and protect value for our customers. We consider long-term trends and their impact on what we do and the value we create for the society and communities we operate in. As such, the way we manage sustainability issues matters and our performance is integral in how we shape finance as a force for good.

In 2025, we developed our approach to sustainability-related financial materiality, leveraging existing materiality processes and tools. The Group continues to consider the regulatory landscape and is preparing to report in alignment with the International Sustainability Standards Board (ISSB) through UK government adoption of UK Sustainability Reporting Standards (UKSRS) and the implementation of the EU's Corporate Sustainability Reporting Directive (CSRD) reporting when required by the Group as a non-EU parent company.

Further details on our Group Value chain can be found within our [annual report and accounts](#) →

The Group continues to engage with our stakeholders to determine the sustainability topics which are important to them.

In 2025 we refreshed our material topics through a review of the internal and external environments. These include our value chain, markets in which we operate, products, services and activities, as well as through horizon scanning, reviews of reporting frameworks and stakeholder engagement. Our internal environment includes colleagues, processes and policies, culture and management. We have used the outputs from this exercise to refresh our materiality assessment, with financial crime, cyber security and data privacy listed explicitly as a material topic, previously considered within governance and conduct.

We prioritise our material topics based on:

1. The strategic importance of the issue to the Group
2. The importance of the issue to our stakeholders
3. The social, economic and environmental impact of each topic in relation to the core activities, products and services provided by the Group

Our materiality review and impact assessment of our operations, products and services was conducted in line with the requirements of the United Nations Environment Programme for Financial Institutions Principles for Responsible Banking (UNEP FI PRB), among other frameworks.

Details on the associated risks and opportunities associated with our material topics have been included within our [annual report and accounts](#) → Within this report we include information on how these material topics have been considered within the risk management framework and the activities undertaken in the year, see [page 123](#).

Material topics

Topic	Description	Value chain impact
Artificial Intelligence	The introduction of Artificial Intelligence (AI) into the banking ecosystem carries with it both opportunities and challenges. While AI can process data at unprecedented speeds and scale, there are risks such as, biases and misinformation, with automated decision making.	Customers and clients, Regulators and government, Communities, Colleagues and Suppliers
Biodiversity and nature	We recognise the important role that financial services in particular can play in helping to preserve natural ecosystems, minimising nature-related risks, and channelling capital towards protection and restoration of nature.	Customers and clients, Regulators and government, Shareholders, Communities, Colleagues and Suppliers
Climate change and transition	We have an important role in managing the impact of our activities, products and services on climate change, and the risks and opportunities to the growth of our business as a result of climate change.	Customers and clients, Regulators and government, Shareholders, Communities Colleagues and Suppliers
Cyber security and data privacy	We are working to bolster our cyber security to keep our customers' money and data safe.	Customers and clients, Regulators and government, Shareholders, Communities Colleagues and Suppliers
Diversity, equity and inclusion	We want to create a fully inclusive organisation that is representative of modern-day Britain, where differences are embraced and everyone can reach their potential, and we want to use our experiences to build more inclusive products and services, to help communities to become more inclusive.	Customers and clients, Regulators and government, Shareholders, Communities, Colleagues and Suppliers
Financial Crime	We are continuously working to protect our stakeholders from Financial Crime, as well as improving our processes to achieve good customer outcomes in a responsible way.	Customers and clients, Regulators and government, Communities and Suppliers
Financial inclusion and resilience	We are focused on ensuring that all our customers, regardless of their personal circumstances, can pursue their financial objectives and ambitions. Through our inclusive products, services and education tools, people, communities and businesses can rely on us for their financial needs, and feel in control and confident about their future.	Customers and clients, Regulators and government, Colleagues and Suppliers
Governance and conduct	We are continuously working to strengthen our management of risk, culture and governance, as well as improving our processes to achieve good customer outcomes in a responsible way.	Customers and clients, Regulators and government, Shareholders, Communities, Colleagues and Suppliers
Health and wellbeing of colleagues	The success of the Group is dependent on our people and a safe working environment is imperative to ensure no harm comes to our colleagues. To support the physical health and wellbeing of our colleagues we offer them a range of programmes and support services.	Customers and clients, Regulators and government, Shareholders, Communities, Colleagues and Suppliers
Modern slavery and human rights	Through our lending and investment processes, we aim to respect and positively impact human rights and mitigate modern slavery in our value chain through our role as a financial services provider, lender, purchaser of goods and services, employer and supporter of our communities.	Customers and clients, Regulators and government, Shareholders, Communities, Colleagues and Suppliers
Regional inequalities	Regional inequalities are leading to economic and social consequences across many communities. Sitting at the heart of communities, we are uniquely placed to leverage our scale to help address these issues. We do this by supporting the needs of these regions.	Customers and clients, Regulators and government, Shareholders, Communities, Colleagues and Suppliers

Our Group strategy continued

→ Industry memberships

Our ongoing participation in global and regional commitments, memberships and collaborating with peers, supports the delivery of our purpose, identification of growth and resilience opportunities to deliver good outcomes for stakeholders.

World Business Council for Sustainable Development (WBCSD)

The WBCSD is a global organisation of over 200 businesses working to achieve the UN Sustainable Development Goals through the transformation of economic systems. The Group is a full member, participating in several projects in order to support our sustainability ambitions.

United Nations Global Compact (UNGC)

Since 2016, we have been a participant of the UNGC, which provides a universal framework for corporate responsibility, guiding companies to align their strategies with the Ten Principles on human rights, labour, environment and anti-corruption.

Group membership

Key memberships which supported our approach to sustainability:



World Business Council
for Sustainable Development



→ Our frameworks

We have a number of frameworks in place that support the delivery of our strategy. These outline how we consider sustainability in our products and services, investments and stewardship activities.

Sustainable Financing Framework

The Framework sets out the Group's methodology for classifying sustainable financial products, supporting consistent reporting, assurance and disclosure against the Group's sustainable financing targets.

It also guides the development of sustainable finance products and offerings by providing structure that enhances risk management and supports innovation products aligned with the Group's sustainability objectives and ambitions.

The framework applies to eligible Bank products and complements the Group's Sustainable Bond Framework.

Sustainable Bond Framework

The Group's Sustainable Bond Framework enables Lloyds Banking Group and its subsidiaries to issue secured and unsecured green and social bonds. It covers five lending categories: green buildings, renewable energy, energy efficiency, clean transportation and affordable housing. The framework defines how products are classified as sustainable, supporting funding for eligible assets and the Group's sustainability strategy. To date, five green bonds have been issued under this framework.

External sector statements

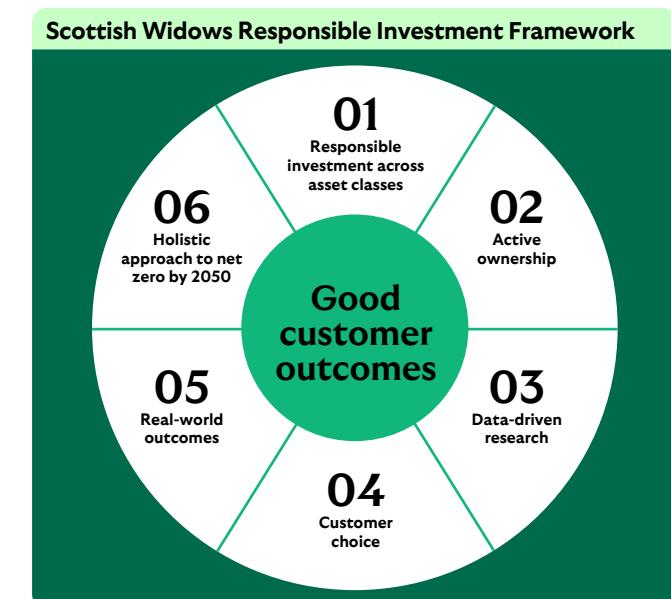
The Group's sector statements, guided by international conventions, national legislation and leading industry standards, detail our cross-sector and sector-specific criteria for managing environmental and social risks, ensuring credit decisions reflect ESG-related risks and their financial implications.

Our frameworks and external sector statements can be found [here](#) →

Scottish Widows Responsible Investment Framework

Our Framework covers six Responsible Investment Principles and our Stewardship commitments, with good customer outcomes at its heart. This reflects the centrality of customers to the Group's purpose. Our decisions on asset allocation, manager selection, fund research and engagement activity are guided by the framework and the principles are integrated into our investment policy.

You can find out more about our Responsible Investment Framework by clicking [here](#) →





Access to quality and affordable housing

Facilitate access to safe, good-quality and affordable housing for households across the UK

Access to quality housing is a fundamental human need, with affordable and stable homes giving people a foundation on which they can thrive – whether they rent or own.

The Group is one of the largest financiers and supporters of the UK housing sector and we are committed to expanding the availability and affordability of safe, quality and sustainable housing.

We are uniquely placed, through our Group strategy, to bring about change and create more sustainable and inclusive growth in the UK through access to better housing.

Read more on how we are supporting the UK housing market on our [website](#) →

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Sustainable Development Goals



 See our full reporting suite on the sustainability page of our website.



Access to quality and affordable housing continued

→ Pillar objectives, highlights and impact

Facilitating access to safe, good-quality and affordable housing for households across the UK.

Objectives	Highlight	Our impact	Linked to strategy
01 Broaden access to home ownership <small>See page → 14</small>	Sustainable Finance Provider of the Year at the Real Estate Capital Europe Awards for the third year in a row	 £17.0bn lending provided to UK first-time buyers in 2025	 Grow
02 Increase the supply of social and affordable housing <small>See page → 15</small>	£3.2bn of new finance supporting the social housing sector in 2025	 >£22.7bn of financing supporting social housing since 2018	 Grow
03 Improve the quality of the private rented sector <small>See page → 18</small>	 >5,450 professionally managed homes through Lloyds Living	£550m Gross value-added through associated construction activity	 Grow
04 Support UK housebuilders to deliver quality and sustainable housing <small>See page → 19</small>	£75m refinance of sustainability-linked loan with Hill Group	 ~5,500 the number of HGP partnered homes sold since 2016	 Grow



Access to quality and affordable housing continued

01 Broadening access to home ownership

Access to secure and affordable housing is fundamental to building a sustainable and inclusive society – supporting financial stability, healthier lives, resilient communities, and long-term economic growth, while serving as a consistent source of income for the Group.

Leveraging our scale, expertise and banking products, we play a vital role across the UK housing market – from supporting new housing developments and housing associations to financing private landlords, renters and homeowners. This commitment is embedded in our Group strategy and underpins our ambition to deliver inclusive and sustainable growth across both our Retail and Commercial Banking businesses.

As challenges around access to quality housing continue to grow for many across the UK, we are positioned to help drive meaningful change. We are exploring ways to expand access to home ownership – not only through traditional mortgages but also via shared ownership models – while providing new finance to the thriving private rental and social housing sectors that foster inclusive communities and increase the availability of affordable housing.

£17.0bn

of lending to first-time buyers in 2025



Industry award-winning

Our efforts in the sector have been recognised through industry awards. This year we received Property Week RESI Award for Large Financier of the Year in recognition of our investment of equity into new home delivery and expansion of the Lloyds Living portfolio by 800 energy-efficient homes. We were also awarded the 2024 Real Estate Capital's Sustainable Finance Provider of the Year: Europe for the third year in a row.

In addition, we also won an award for the Housing Growth Partnership, see [page 19](#) for details.



Supporting our mortgage customers

As one of the UK's largest mortgage lenders, we are supporting more and more of our customers to buy their first home. We support first-time buyers to get on the housing ladder, in 2025, we have provided over £17 billion of funding to first-time buyers.

We are helping more customers borrow what they need, by continuing to enhance how much we can responsibly lend.

Following FCA clarification we made changes to our mortgage stress testing which has helped thousands of customers access a mortgage they would not have qualified for previously. Furthermore, this year we made over £5 billion available to help more than 14,000 first-time-buyers borrow at least 4.5 times their income, taking our total expanded commitment to higher loan-to-income mortgages since 2024 to £9 billion. One key part of this was expanding our 'First Time Buyer Boost' proposition, which helps many customers – in particular those on lower incomes – to increase how much they can borrow by up to 22%, improving their access to the housing market.

Through our family of brands, we provide first-time buyer education to support customers on their home buying journey including: explaining the mortgage application process, the considerations when choosing a home, the costs involved, and the conveyancing process. We also enable customers to set a deposit savings goal and track their progress on this towards their home buying aspiration.

Our 'Your Credit Score' tool helps customers to understand and take control of their credit health, through personalised score improvement tips, and identifying unusual items on their credit file. Over 500,000 customers improved their credit score every quarter this year as a result. This helps customers build confidence that their mortgage application may be more likely to be accepted by improving their credit score.

Support for customers with smaller deposits includes offering products for those with a deposit of 5% to 10% wanting to buy a home. We also provide intergenerational options such as our 'Family Boost' mortgage which allows a family member to put down 10% of the purchase price of a home into a fixed term savings account.

Purpose in action

Lloyds Living Stories

When Kalbinder and Balwinder began their search for a new home, they knew exactly what they wanted: an energy-efficient property, preferably with a private garden. Lloyds Living quickly found the perfect match for them in Darfield, South Yorkshire.

Through the Lloyds Living's Pathway Flex scheme, they were able to rent first and decide later if they wanted to buy – a "try before you buy" approach that, in Kalbinder's words, "just clicked like that".

Pathway Flex is a flexible way to get onto the property ladder through our private shared ownership scheme. Available on selected developments, it allows customers to buy their home straight away. On some developments, customers can rent one of Lloyds Living's homes first and choose to buy a share when it suits them – starting with as little as 20% ownership, and gradually building this up until they own it all.

We are proud to have helped Kalbinder and Balwinder turn a house into a home. Their journey is testament to the passion and commitment our team brings to every customer we meet.



SDG 11.1

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

Link to strategy



Access to quality and affordable housing continued

02 Increasing the supply of social and affordable housing

The Group has a long-standing commitment to support new finance to social housing, a sector we have championed for decades. Since 2018, we have supported £22.7 billion in finance to the sector through commercial lending and deal facilitation enabling more homes to be built and maintained. Our social housing portfolio provides a consistent, low risk, source of income generation.

We collaborate with over 320 housing associations nationwide, ranging from small local providers to large organisations managing tens of thousands of homes. Our reach spans the entire country, and leverages our extensive experience to provide tailored funding solutions and sector expertise helping clients deliver high-quality, affordable homes.

Social housing is a cornerstone of the UK's housing landscape, providing millions with stable and genuinely affordable homes. We believe it should be recognised as essential national infrastructure alongside transport, energy and digital networks – forming the foundation of thriving communities and a prosperous economy. Its absence contributes to insecurity, inequality and poor societal outcomes.

Our funding enables housing associations to invest in improving housing stock, from constructing new homes to retrofitting. These initiatives create warmer homes and reduce energy costs for residents. Our financing is playing a major role in upgrading social housing stock.

In 2025, we supported £3.2 billion of new financing to the social housing sector which includes £2.3 billion of sustainability-linked/sustainability-labelled financing¹.

Refer to [page 65](#) for more on our sustainable financing targets and progress.

National Wealth Fund Partnership

In 2024, we partnered with the National Wealth Fund (NWF) and committed up to £500 million to a green retrofit loan fund, partially guaranteed by the NWF, to make it easier for social housing providers to upgrade existing homes to be warmer and more energy-efficient for tenants, supporting the UK's broader net zero ambitions. This year we have started deploying our lending and have delivered five new Green Retrofit Loans for leading housing associations to accelerate the decarbonisation of social housing.

“

No single investor, whether a local authority, housing association or bank, can enable the delivery of the energy-efficient homes we need on its own. But by working together, pooling our strengths and embracing innovation, we can meet the dual challenges of building new homes and retrofitting our existing stock.”

Jess Tomlinson

Global Head of Real Estate & Housing, Lloyds Banking Group

Purpose in action

In 2025 we have delivered £340 million of our £500 million NWF finance commitment

The financing provided by this initiative will help unlock economic opportunity in local communities across the UK, supporting an estimated 2,900 highly skilled jobs in plumbing, insulation and renewable energy installation.

Some of the new loans delivered this year are showcased below.

Peabody

We provided a £60 million loan to our client, Peabody – a not-for-profit housing association that provides affordable homes, support and services in local communities. The loan agreement is to fund the retrofit of over 5,000 social homes across London and the South East. It will help enable Peabody to carry out bespoke energy efficiency upgrades, including wall and loft insulation, low-energy lighting, heat pumps, solar panels, flood resilience measures and water-saving technologies.

Sovereign Network Group

We entered into a financing agreement with Sovereign Network Group (SNG), one of England's largest housing associations, across the South and South-West, including London and Hertfordshire, for £100 million to fund the sustainable retrofit of 4,500 social homes.

SNG owns and manages approximately 85,000 homes, serving around 210,000 customers. It has identified more than 15,000 homes that will form part of its retrofit programme with the aim of making improvements to the fabric performance and low-carbon heating technology of homes that will maintain their value as cost-effective, quality places to live.

SDG 7.3

By 2030, double the global rate of improvement in energy efficiency.

SDG 11.1

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

SDG 17.17

Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

Link to strategy



Orbit Group

Lloyds Banking Group agreed a £195 million finance package with Orbit Group, one of the UK's leading housing providers, to upgrade social homes across the Midlands, East and South-East of England, helping families enjoy warmer, safer and more affordable homes.

The finance arrangement includes £30 million retrofit loan, partially guaranteed by the National Wealth Fund to support Orbit's energy efficiency programme to improve insulation and installing energy efficient measures to reduce carbon emissions. Together with a £90 million sustainability-linked loan, the finance package will ensure residents benefit from warmer homes, creating more sustainable communities.

¹ For details please refer to our [sustainable finance framework](#) →

Access to quality and affordable housing continued

Increasing the supply of social and affordable housing continued

Commitment to small local housing associations

We are committed to lending to smaller social housing providers and not-for-profits, to help them to create more homes. As part of this we have already supported organisations like Golden Lane Housing to grow.

Specialist housing providers are small in number but deliver critical services for vulnerable people. Beneficiary groups include people at risk of homelessness and rough sleeping, and people suffering from complex mental health issues and learning disabilities or recovering from addiction.

Repurposing former sites into social housing

In our 2024 report we announced that our former Group data centre in Pudsey, West Yorkshire has been identified for repurposing into social housing. The refurbishment is set to commence in 2027, subject to planning permission, and is expected to create up to 100 new homes for social rent. We will continue to look at whether our former sites can be repurposed.

This project will also be guided by our efforts in greening the built environment. Please refer to [page 91](#) for our strategy and progress.



Social Housing Initiative

Since 2023 the Social Housing Initiative (SHI) has brought together a range of stakeholders to take steps in addressing the chronic lack of social housing and genuinely affordable homes in the UK.

This year members of the SHI continued to drive collaborative efforts, including the launch of the Small Sites Aggregator. In July, Lloyds hosted the second Social Housing Forum to bring together leaders from housing, finance, government and not-for-profit organisations to turn shared ambition into action. Participants in the Forum included the then Secretary of State for Housing, Communities and Local Government.

Small Sites Aggregator

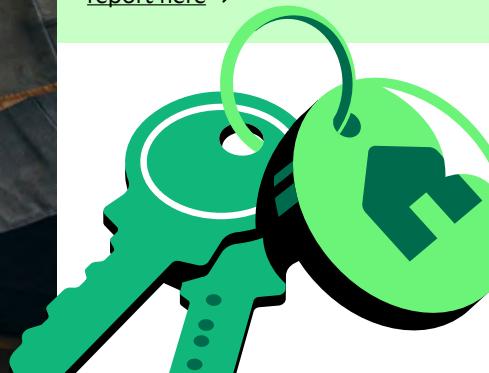
In May, the government announced the launch of the Small Sites Aggregator, a public-private partnership that has been developed through the SHI and recently backed by the government. The Small Sites Aggregator will identify and unlock fragmented and underutilised brownfield land under the ownership of local authorities to deliver affordable housing. These are sites that are typically too small or complex for large developers when in isolation, but which, if aggregated, could unlock land at scale to support the delivery of thousands of new homes by the end of the Parliament.

Building futures: The time is now

In July 2025 we published the second instalment in our 'Building futures' series of reports: 'The time is now' – reinforcing the urgent need to scale up new financing and delivery models and strengthen regional public-private partnerships to accelerate social and affordable house building.

In the report we highlight that the UK's social housing sector is at a pivotal moment of real potential but also of pressing need. Drawing on our analysis of what is required to deliver new homes in the UK – as well as lessons from other countries – it sets out a practical, evidence-based case for progress and identifies three calls to action for the government, the private sector and the housing sector to accelerate progress: 1) scaling up public-private partnerships; 2) delivering a national response to the temporary accommodation crisis; and, 3) implementing targeted policy reform to unlock further investment and delivery.

[You can access our 'Building futures: The time is now' report here →](#)



Senze retrofit pilot

In 2025, we commissioned a pilot study with Bromford Flagship housing association to explore how technology can improve decision making in retrofit planning. Using Senze's live sensors in social homes, we monitored real-time thermal performance in homes. The findings revealed the ways in which actual performance can differ from modelled assumptions and potentially lead to sub-optimal retrofit recommendations. This data-led approach has the potential to help scope work more accurately, avoid unnecessary interventions, and identify where outcomes fall short.

The study, authored by The Good Economy, an impact advisory firm, suggests that some retrofit funding may be spent on homes that need fewer upgrades, while other homes, requiring intervention, risk being overlooked. Ultimately, deployment of such technology enables the balancing of the desired environmental, social and economic outcomes. We hope our report's insights and the blueprint it lays out encourage further pilots across the social housing and real estate sectors to validate cost savings and optimise resources.

To read the full report and supporting appendices, visit lloydsbank.com/retrofit →

“

This pilot demonstrates the transformative potential of real-time data in shaping retrofit strategies. By moving beyond traditional Energy Performance Certificate (EPC) visual assessments and using live sensor technology, we can make decisions grounded in actual thermal performance. That means smarter investment, fewer wasted resources, and ultimately better outcomes for customers.”

Michael Craggs

Development and Asset Management Innovation Lead,
Bromford Flagship

Access to quality and affordable housing continued

Increasing the supply of social and affordable housing continued

Purpose in action

Partnering with Homewards to Tackle Homelessness

In February 2025, the Group announced a pioneering partnership with Homewards, a programme led by HRH The Prince of Wales and The Royal Foundation. Homewards is dedicated to making homelessness rare, brief and unrepeatable. This collaboration marks a significant step in addressing homelessness across the UK, combining financial support with our sector expertise.

We have committed £50 million of new lending to support small- and medium-sized housing providers and charities. These organisations often face barriers in accessing finance for housing projects, particularly those that offer wrap-around support for individuals with complex needs.

By working together, the Group and Homewards aim to break down these barriers, enabling more organisations to access funding that was previously unavailable to them.

The new investment will be channelled into organisations operating in six flagship Homewards locations: Aberdeen, Bournemouth, Christchurch & Poole, Lambeth, Newport, Northern Ireland and Sheffield, alongside support for housing initiatives in the Liverpool City Region.

Through the partnership we will work with Homewards to bring together local and regional government, not-for-profits, and financial institutions to identify needs and key providers, creating clear pathways for financial support and expertise in these areas.

A distinctive feature of this partnership is the provision of both funding and dedicated expertise. The Group is working with organisations to help build investment readiness, which can be particularly valuable for those receiving this type of funding for the first time. The ambition is to help these organisations to build, develop, or refurbish homes, including those for people with additional support needs. The partnership is also helping unlock more homes for models which combine accommodation with wrap-around support for those most in need.



SDG 11.1

By 2030, ensure access for all to adequate, safe and affordable housing.



SDG 17.17

Encourage and promote effective public, public-private and civil society partnerships.

Link to strategy



Purpose in action

Living proof of social housing – Ray's Story with Crisis



Ray with his Lloyds mentor, Craig, at the Yorkshire Three Peaks trek 2025, fundraising for Crisis



SG 10.2

By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.



SDG 11.1

By 2030, ensure access for all to adequate, safe and affordable housing.



Link to strategy

When sight loss made Ray's shared accommodation unsafe, he began sofa surfing and eventually sleeping rough. "My self-worth was gone. I felt vulnerable and lost."

Despite reaching out to local authorities, Ray could not find the support he needed, until he connected with our charity partner, Crisis. Through their Skylight centres, Crisis provides tailored help for people experiencing or at risk of homelessness. With the support of his lead worker, Ray moved into temporary accommodation and began rebuilding his confidence.

After 11 months of uncertainty, Ray finally received the news he had been waiting for: a permanent social home. "Now I'm living proof of the impact of social housing. I wake up and I'm not in fear. I don't have to wonder if I have somewhere to stay tonight."

Today, Ray lives with his guide dog Garcon, plays for the GB Blind Baseball team, and is working with Crisis' Changing Lives programme and his Lloyds mentor to set up a charity bringing inclusive sports into schools. His story shows why a safe home is life-changing, not just for individuals, but for communities.

Through our partnerships with Crisis and Simon Community Northern Ireland, we have called for one million more homes at social rent in the next decade, so everyone has a secure place to call home. Learn more about our work to tackle homelessness and unlock opportunities for people like Ray.

Access to quality and affordable housing continued

03 Improving the quality of the private rented sector

Supporting the rental market

The Group is working to improve quality in the private rented sector. In 2022, we published research in collaboration with Social Finance exploring how lenders can improve the private rented sector. The report concluded that a National Landlord Register in England would have a significant impact on housing quality and conditions for renters, and emphasised the golden opportunity to design the register in such a way that mortgage providers can use it to inform lending decisions and influence landlord behaviour.

We have continued to build consensus across the industry and with political stakeholders, on the opportunity for mortgage providers to access and use the Private Rented Sector Database that will be introduced in England as part of the implementation of the Renters' Rights Act. This will help ensure greater accountability for landlords in providing quality rental housing and a 'one stop shop' for relevant guidance on landlord obligations. For tenants it will increase transparency and the information available before they decide to rent a property and throughout their renting journey.

Lloyds Living

Renamed from Citra Living in 2024, the rental and shared ownership provider of Lloyds Banking Group celebrated its fourth anniversary. We now operate a growing portfolio of more than 5,450 professionally managed homes, improving access to high-quality, energy efficient housing across the UK, while acting as a source of income growth.

Lloyds Living is working with leading housebuilders and developers to accelerate the delivery of housing for private rental. In 2025, we have continued working with a diverse group of house builders and development partners, including small and medium enterprises (SMEs), supporting their growth and enabling regional development. Since its founding in 2021, Lloyds Living has worked with 14 partners, each working across multiple sites.

Supporting landlords to be sustainable

Through our BM¹ Landlord Retrofit Tool in partnership with Energy Savings Trust, landlords receive a tailored action plan designed to fit their budget and identify practical upgrades to improve the energy efficiency of their properties. To date, nearly 1,400 landlords have used the tool to create personalised plans, access relevant government grants, and tap into energy company schemes to help finance improvements.

Our business development managers continue to play a vital role in educating brokers on private rented sector regulations and emerging standards across the UK nations. In 2025, more than 400 brokers joined a dedicated webinar focused on regulatory changes. This year, we've also strengthened collaboration with professionals across the sector, bringing retrofit and regulatory expertise directly to landlord audiences.

The impact of Lloyds Living's investments and socio-economic footprint in 2025²:

£560m
invested in new homes

The impact of our investments on new homes



£550m
Gross value added (GVA) generated by associated construction activity (direct, indirect and induced)

1,900
Full time equivalent (FTE) construction jobs supported

2,800
FTE roles supported in the wider economy

£23.2m
in social value generated by employment opportunities

The impact of our customers



£31.1m

net additional expenditure from Lloyds Living customers in their local area

£6.5m spent by new customers "making their house a home"

£8.3m generated for local authorities in Council Tax receipts

96

sites across the UK

1,560
new homes completed

>900
new homes in the 50% most deprived³ areas

¹ BM Solutions is the buy-to-let brand of Lloyds Banking Group.

² The estimates of socio-economic impacts have been prepared by Lichfields based on publicly available information and information supplied by Lloyds Living and third parties. The analysis and interpretation of information and conclusions that have been reached are based on current conditions and views which may be subject to change. Lichfields has relied upon the accuracy of data and other information supplied without independent verification. The analysis draws upon and applies Lichfields' proprietary methodologies. Estimates of economic impact and the underlying assumptions are illustrative and do not constitute forecasts. For the period 1 January to 31 December 2025.

³ The Index of Multiple Deprivation (IMD) is the official measure of relative deprivation and combines information from the seven 'domains' of deprivation: income deprivation; employment deprivation; education, skills and training deprivation; health deprivation and disability; crime; barriers to housing and services; and living environment deprivation. Applies to England only.

Access to quality and affordable housing continued

04 Supporting UK housebuilders to deliver quality and sustainable housing

Building new homes with MADE

In 2024, MADE Partnership, a master developer partnership between the Group, Homes England and Barratt Redrow plc, was created in response to the demand for new homes across the country. As equal shareholders in this £150 million joint venture, the Group is working closely with Homes England and Barratt Redrow plc to oversee multiple large-scale residential projects with a focus on community regeneration and place-based design.

Made Partnership was awarded Deal of the Year at the 2025 RESI Awards and goes above and beyond solely housing – it covers roads, schools, green spaces and community infrastructure, designed to create cohesive and sustainable neighbourhoods.

Made signed its first agreement with Tameside Council to progress its flagship residential project, Godley Green Garden Village in Greater Manchester, with the aim of delivering up to 2,150 new homes.

Following the early success of the partnership with Tameside Council, MADE has also entered into a similar agreement with Cheshire East Council to deliver the 1,500-home Handforth Garden Village.

Made is responsible for overseeing and managing the development of the garden villages, as well as delivering an ambitious social value strategy and ensuring robust long-term stewardship is put in place.

By working with private landowners, local authorities and other key public sector stakeholders, MADE continues to progress a tangible pipeline of large-scale residential development opportunities across England, with further announcements expected throughout 2026.



Supporting small and medium housebuilders

Housing Growth Partnership (HGP) is the Group's equity investor focused on the UK housing sector.

Awarded Specialist Financier of the Year at the 2025 RESI Awards, HGP invests patient capital – capital invested for a longer term – with the purpose of delivering social impact through partnership with selected residential developers and housebuilders to increase the number of homes being delivered, and help our partners grow.

The RESI award recognises the key milestones achieved in 2024, which included supporting the delivery of 13,000-plus new homes across the UK and committing millions in equity financing, as well as a 15% increase on 2023 in new homes delivered.

In March 2025, HGP completed its first project alongside PfP-igloo, a national place-making partnership between PfP Capital and Igloo Regeneration. The award-winning Dundashill development in Glasgow is a landmark scheme delivering 78 three- and four-bedroom homes utilising modular panels constructed offsite, and with all units achieving an EPC A rating. The homes incorporate advanced sustainability features, including solar panels, air source heat pumps and shower water recovery systems, and set a new benchmark for environmentally responsible housing. HGP has also invested in PfP-igloo's Fruitmarket scheme, a 26-home sustainable development in a regeneration area of Nottingham, which will also target the same ESG credentials.

Since inception in 2016, HGP has partnered with

91
developers across

177
schemes, committing to

~15,000
homes of which

~5,500
homes have been built and sold, with the balance of

9,500
in development



Access to quality and affordable housing continued

Supporting UK housebuilders to deliver quality and sustainable housing continued

→ Supporting our customers to make sustainable choices

We continue to recognise the role we play in supporting homebuyers to make sustainable choices and homeowners to improve energy efficiency.

We are committed to reducing barriers to retrofit and encouraging action through our new and existing propositions and partnerships, not only supporting the transition of UK housing to net zero, but supporting energy efficient homes that are cheaper to run for our customers.

Since we relaunched our improved Halifax Green Living Reward/Lloyds Eco Home Reward in July 2024, offering home buyers, homeowners and home movers up to £2,000 in cashback to improve their home's energy efficiency, we have hit some significant milestones. In 2025, we have rewarded over 3,000 customers with over £3 million in cashback rewards. We also continue to provide a free EPC assessment for all customers that claim the cashback, not only to allow us to measure the impact of our energy efficiency improvements, but also to build a greater understanding on how improvements positively impact home emissions and bills. In October 2025, Lloyds Bank launched a market first offer, with the Bank covering the standard installation costs, above those covered by government grants, for an air source heat pump. The offer was available to qualifying customers who took out a new mortgage or switched deals and held or opened a Club Lloyds current account.

In helping to support a move towards sustainable buildings, our Commercial Banking customers continue to retain free-of-charge access to our Green Buildings Tool – a digital insights calculator that helps to identify and evaluate the estimated financial and environmental outcomes of potential investments to make properties more energy

efficient. Since 2019, 2.4 billion square feet of real estate has been assessed using our Green Buildings Tool. We are improving the journey for customers to proactively share data with them in order to help them understand the impact on both the valuation of assets as well as the economic benefits of energy efficient buildings.

Advancing Social Housing Sustainability Reporting

As one of the largest funders of the UK housebuilding and social housing sectors, we support the industry to develop standards for more sustainable homes as well as providing finance and advisory support to help housebuilders and housing associations meet these standards, and to drive the adoption and evolution of relevant sustainability reporting frameworks.

Since 2021, we have collaborated with Sustainability for Housing who provide guidance relating to the Sustainability Reporting Standards (SRS) for Social Housing in the UK. We also contribute to annual funder surveys and support the development of practical guidance for housing associations on aligning ESG reporting with transition planning.

In 2025, we supported the transition of SRS data services to Housemark, the leading data and insight company for the UK housing sector, ensuring ESG disclosures are consistently measured and transparently communicated. We also contributed to sector webinars and advisory panels, promoting best practice and robust reporting standards to drive the housing sector's net zero transition.



Purpose in action

A Partnership Driving Sustainable Futures

SDG 13.3

Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

Link to strategy



The Group has played a pivotal role in supporting the housebuilder, Bellway, in its sustainability ambitions.

As an Executive Committee member of the NextGeneration initiative, Lloyds contributed to Bellway's initial membership to help enhance its sustainability disclosures – which saw Bellway being awarded NextGeneration's Innovation Award for its Future Hub at Barton Quarter. This is an industry-leading project to share expertise about low-carbon technologies including air source heat pumps and help homebuilders deliver the changes required at scale to meet net zero targets.

Another award-winning carbon reduction project is The Future Home at Energy House 2.0. Partnering with the University of Salford, Bellway built a home supporting groundbreaking research, testing future building standards within a climate-controlled chamber. Early test results have indicated that air source heat pumps are capable of heating homes for less than £2 per day.

Bellway remains committed to a just transition, with a strong focus on social impact. It is great to see how Bellway has also partnered with Regeneration Brainery to advance skills development and promoting equality, diversity and inclusion (EDI) within the sector.

This case study highlights both Bellway's achievements and the kind of close collaboration with our clients that we at Lloyds seek to foster as we facilitate a real-economy transition to net zero.

Bellway's journey to net zero is anchored in its 'Better with Bellway' strategy, targeting full decarbonisation across all scopes by 2045. The company is aligning with the Future Homes hub Transition guidance and plans to publish its Transition Plan in 2026.

Bellway's plan has been reviewed and guided by Lloyds' internal Client Transition Plan (CTP) team and its assessment methodology¹.

¹ For more information on our Client Transition Plan process see page 82.

Access to quality and affordable housing continued

Supporting UK housebuilders to deliver quality and sustainable housing continued

→ Industry partnerships and supporting skills development

In 2024, we renewed our three-year partnership with not-for-profit Regeneration Brainery to help tackle the skills and diversity challenges facing the property industry.

Regeneration Brainery is an award-winning social enterprise looking to nurture and attract the next generation of talent into the property and construction sectors, enhancing social mobility of young adults from underrepresented backgrounds across the UK.

During 2025, Regeneration Brainery has worked with over 1,000 students – or Brainees – to find hands-on work experience, networking opportunities and mentors with industry professionals and providing work-ready training. Of Regeneration Brainery's Class of 2025, 51% were female, 72% from ethnic minority backgrounds and 78% of the students had at least one characteristic associated with barriers to social mobility.

Over the last nine years a third of its students have now joined the industry in employment and a further 40% are in education specifically working towards entering the industry. Nine week-long Brainery programmes were delivered across seven cities this year, with plans to expand into Newcastle, Bristol, Wales and Scotland in 2026. We continue to champion the work of Regeneration Brainery, and are delighted to have colleague representation on their newly established advisory board to support the further expansion of the programme.

Michele Steel, CEO of Regeneration Brainery said:

"Lloyds has been active with the Regeneration Brainery programme since the beginning. From day one, the Lloyds team has been a driving force behind Regeneration Brainery, helping shape not only the programme but the futures of the young people within it. Your commitment runs deep – Lloyds goes the extra mile. We often say that change doesn't happen overnight. With Lloyds, it has happened with consistency. Your support has helped us grow from a regional initiative into a national movement – empowering young people from all backgrounds to explore and step confidently into careers in the built environment. We've seen lives change, barriers fall and potential unlocked – and this is only the beginning. From Manchester to London, and anywhere we go, you continue to set the standard for what a meaningful partnership looks like. We're proud of this relationship and we can't wait to keep building together into 2026 and far beyond."

Real Estate Balance: advocating for equity, diversity and inclusion

Our partnership with Real Estate Balance has continued in 2025 in response to our clients expressing a need for more information on how to address equity, diversity and inclusion in UK real estate and its associated sectors. Real Estate Balance has a particular focus on gender, ethnicity and social background and works closely with the industry to support its members in making cultural changes and identifying best practices, contributing to the enhanced performance of the industry.

This year we have focused on an 'Attract and Retain' theme to highlight the need for the UK real estate sector to ensure it is actively recruiting from as diverse a pool of candidates as possible and creating supportive environments to promote successful careers in the industry.

The UK Green Buildings Council (UKGBC) Programme partnership

At the start of 2023, Lloyds was invited to be one of three Organisational Programme Partners of the UKGBC, in recognition for being leaders in our strategy and activities relating to creating a greener built environment. As a result, we participate in the UKGBC's key programmes across learning and leadership, advancing net zero, resilience and nature and regenerative places. This close relationship with the UKGBC continues to underpin the education, products and propositions we develop for our customers, giving us access to the latest research and resources and a trusted sounding board comprising experts in the field. In an evolution of our collaboration this year, Lloyds and UKGBC partnered at COP to spotlight on transitioning the built environment and the critical role of natural capital in a changing climate.



Purpose in action

Measuring What Matters: Hill Group's KPIs for a Sustainable Future

Award-winning housebuilder Hill Group was an early adopter of sustainable finance in the housebuilder sector when it appointed Lloyds to support the launch of its inaugural sustainability-linked loan (SLL) in 2021. The SLL featured key performance indicators (KPIs) relating to scopes 1-3, biodiversity net gain and its NextGeneration benchmark rating (see page 20 for details).

Following significant progress and technical learnings through its own developments and partnerships with the public sector Hill Group has refreshed its strategy. In 2025 Lloyds co-ordinated its second SLL with Hill Group, reflecting their matured sustainability thinking, expected regulatory standards and preparation for their transition. This is reflected through the refreshed KPI structure including a new social value KPI delivered through ambitious apprenticeship targets.

“

Our second SLL represents the next stage in Hill's sustainability journey, informed by the lessons we've learned across our projects and partnerships. The strengthened KPIs align with evolving regulatory expectations, while the new social value target underscores our commitment to supporting apprenticeships and meaningful opportunities for local communities.”

Andrew Day
Sustainability Director at The Hill Group



SDG 12.6
Encourage companies to adopt sustainable practices and integrate sustainability information into their reporting cycle.

Link to strategy





Empowering a prosperous future

The financial health and confidence of the UK population and businesses are key in building sustainable prosperity for all.

As an integrated financial services provider in the UK we are committed to leveraging our position and work with partners to support customers, businesses and communities to build their financial security and freedom, provide them with fitting financial services, achieve their aspirations, and unlock opportunities to thrive, while utilising the power of data, technology and digital channels.

From accessible education and guidance, through inclusive services, digitally enabled tools and tailored support to underrepresented groups, to varied data-led product offerings, we empower people and businesses to make informed choices and pursue their goals, thrive and grow. In doing so, we are building a more resilient customer and client base for the Group and driving a more inclusive economic growth.

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Sustainable Development Goals



See our full reporting suite on the sustainability page of our website.



Empowering a prosperous future continued

→ Pillar objectives, highlights and impact

We help Britain prosper by giving people and businesses the right financial solutions, tools and to thrive, grow and have a more prosperous future.

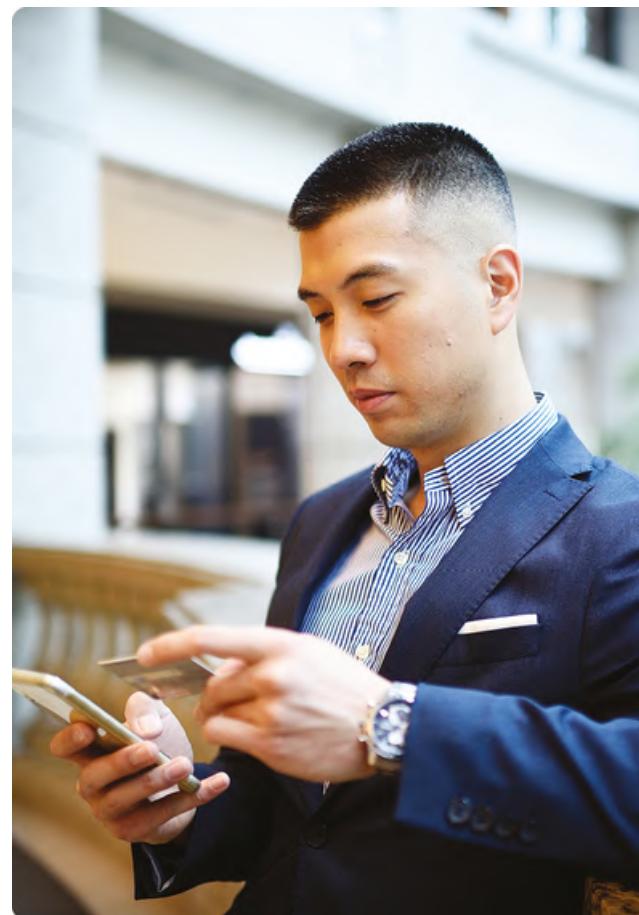


Objectives	Highlight	Our impact	Linked to strategy
01 Securely managing everyday financial needs <small>See page → 24</small>	80% of customers who enter collections are back to financial health within a month	£8.2bn of interest paid to savers in 2025	 
02 Empowering people and businesses to plan and achieve their ambitions and growth <small>See page → 27</small>	>500k customers improving their credit score each quarter through using your credit score	 delivered >38,000 hours of targeted support to >9,000 black, women and disabled entrepreneurs	
03 Building towards secure and independent futures for UK people and businesses <small>See page → 31</small>	>7k Ready-Made pension accounts opened since launch with 27% for customers under the age of 35 years old	41% of accounts opened by those who are self-employed, helping those considered most at risk of not having sufficient pensions to meet basic standards of living at retirement	
04 Unlocking opportunities through financial and digital capability and inclusion <small>See page → 33</small>	>20,000 lessons completed through Doshi that uses gamification to make financial education engaging and impactful	 >71,000 Small businesses have accessed our Lloyds Bank Academy financial and digital capability resources	 

Empowering a prosperous future continued

01 Securely managing everyday financial needs

Our aim is to help people and businesses build their financial security so that they don't need to fear what tomorrow may bring. We are constantly evolving and developing new products, tools and experiences, and building these entirely around our customers' needs to financially empower them for today and tomorrow. Our support and services are available to our customers in a multi-channel way, ensuring they can rely on us in everyday or specific and challenging situations.



→ Putting more money in customers' pockets

In 2025, we enhanced the way we support our customers. We created new products, services and experiences built entirely around customer needs, to financially empower them.

Supporting our customers to save

We're proud to help Britain save. In 2025, we managed 32 million savings accounts for 18 million customers, and this year alone we've opened over 3.5 million new accounts. Last tax year, more than 2.8 million customers chose one of our brands for their ISA contributions as we encouraged the nation to think ISA first. At peak, a new ISA was opened every eight seconds, and together we've supported £7.5 billion in tax-free savings this year.

We've made saving simpler and smarter. Our first in-app journey now lets customers give us their instructions on fixed savings directly, making it easier than ever for customers to manage their money. Our new 'one click' onboarding journey has cut screens from six to one, helping us open over a million accounts since launch.

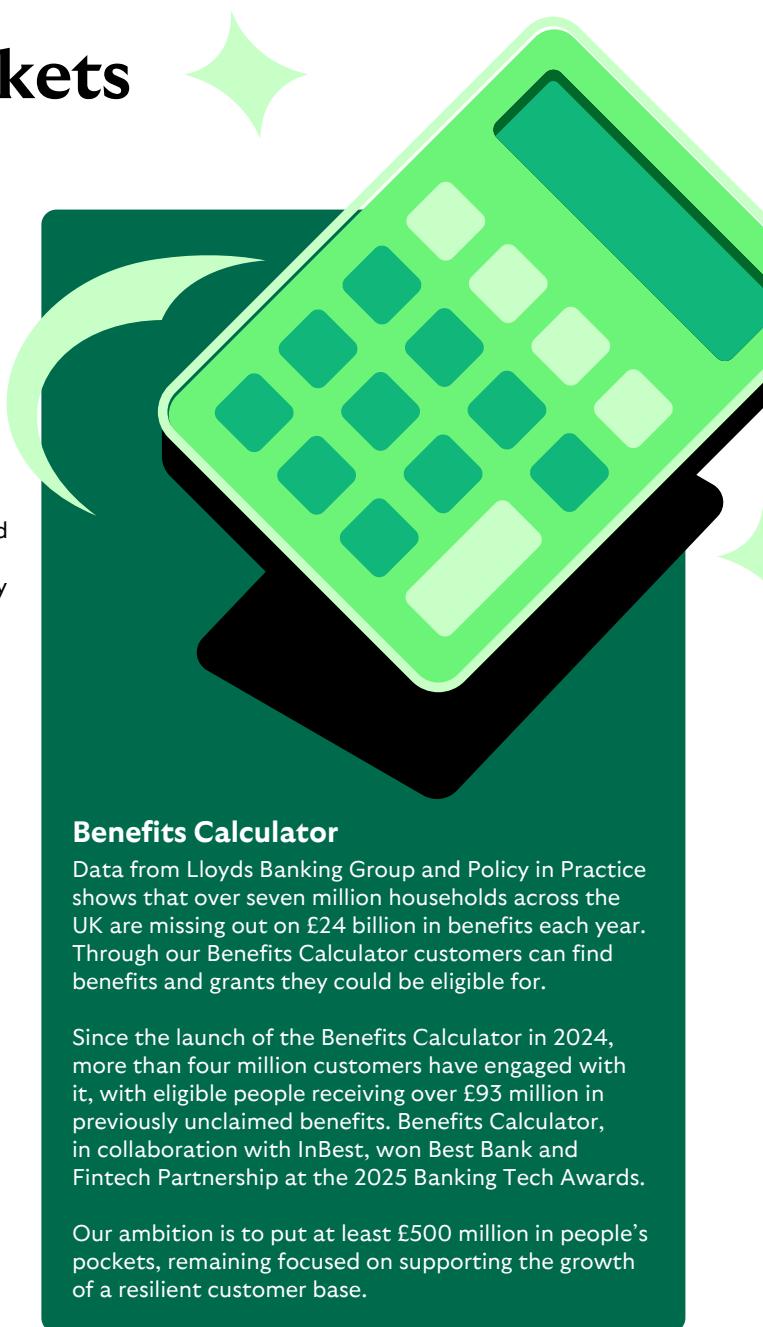
We've also made saving more accessible for families. Our new MBNA fixed maturities journey and bite-sized onboarding steps give customers confidence in the actions they take. In May, we simplified eligibility for Smart Start and Money Smart accounts so parents only need a current account with us to open an account for their child. Every step we take is about empowering customers to save with confidence and convenience.

Products and tools

We have focused on designing products and services that solve some of our customers' most underserved needs, like finding unclaimed benefits or switching bills.

In 2024 we expanded our financial empowerment tools through our mobile banking app with the launch of the Benefits Calculator and Bill Switcher.

We are also utilising various educational tools and platforms to equip our customers and communities with the knowledge to empower them to make decisions that result in the most prosperous outcomes for themselves.



Benefits Calculator
Data from Lloyds Banking Group and Policy in Practice shows that over seven million households across the UK are missing out on £24 billion in benefits each year. Through our Benefits Calculator customers can find benefits and grants they could be eligible for.

Since the launch of the Benefits Calculator in 2024, more than four million customers have engaged with it, with eligible people receiving over £93 million in previously unclaimed benefits. Benefits Calculator, in collaboration with InBest, won Best Bank and Fintech Partnership at the 2025 Banking Tech Awards.

Our ambition is to put at least £500 million in people's pockets, remaining focused on supporting the growth of a resilient customer base.

Empowering a prosperous future continued

Securely managing everyday financial needs continued

→ Empowering our customers in all circumstances

Our specialist support teams are here to help when customers need extra care and tailored support. This reflects our commitment to meeting individual needs and doing what matters most for every customer. Colleagues can refer customers to these teams, ensuring those who need additional help are quickly connected to the right expertise. It's a collaborative approach that puts customers first and makes sure they get the support that's right for them.

Trusted persons

The Trusted Person Card and Trusted Person Alerts provide extra support for customers needing help with their finances. The card allows friends, family and carers to assist with everyday purchases and cash access using a separate card and PIN. Trusted Person Alerts let customers choose someone to receive text updates about their account activity without granting access to make payments or view balances, ensuring privacy and security.

We also offer 'speak on behalf' for customers who would like an informal agreement for a trusted person (such as a family member or friend) to speak on their behalf.

Domestic and financial abuse

Our Domestic and Financial Abuse team has supported more than 18,600 victim-survivors since 2019 in rebuilding their financial independence. Colleagues receive specialist training from the charity Surviving Economic Abuse, enabling them to provide tailored assistance that meets individual needs. Where additional help is required, the team signposts customers to domestic abuse charities for emotional and practical support and accepts direct referrals from those organisations.

In collaboration with experts, we have strengthened our domestic abuse training module to deepen colleagues' understanding of domestic and financial abuse and ensure they are equipped to offer the right support to customers.

Throughout 2025, we have supported c.5,400 victim-survivors of domestic and financial abuse.

Customers are able to seek support by calling us, using our secure messaging system via our websites, or requesting a call-back from one of our dedicated case handlers.



Our specialist support teams provided dedicated support to all customers affected by:

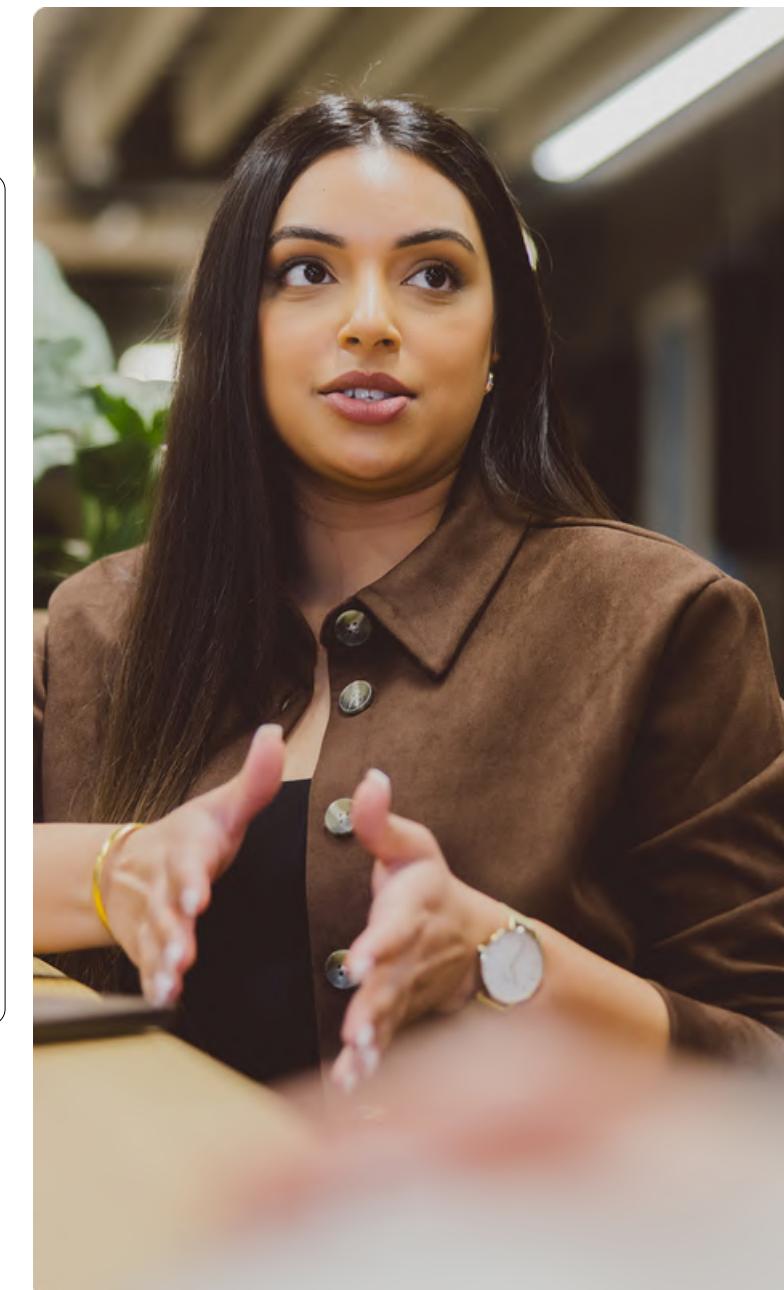
Domestic and financial abuse – offering tailored support to empower customers in regaining financial control including opening new accounts, separation of joint bank accounts, supporting with debt and more.

Bereaved customers – supporting with practical and money-related matters following the death of a loved one.

Representative access – where the customer or their representative needs support to manage their accounts with us due to a serious health condition, loss of mental capacity, or future planning for when they are no longer able to manage their own accounts¹.

Serious illness and ill health – provision of fee suppressions, waiver of fees and charges, payment holidays and more.

1 This includes exceptional circumstances where the customer has lost mental capacity with no legal instruction in place.



Empowering a prosperous future continued

Securely managing everyday financial needs continued

→ Helping to navigate financial challenges through multi-channel support

Customers can access support to help manage their money or financial wellbeing through multiple channels

In the moments that matter, we play a key role in supporting customers and communities, particularly those who might be having difficulty in managing their money. By offering tailored solutions and access to essential digital and financial skills, we're empowering individuals to regain control of their financial wellbeing. This support ensures customers have the tools and knowledge they need to navigate challenging financial circumstances and life events, fostering resilience and promoting long-term financial stability.

Throughout 2025, we have helped customers in financial difficulty across over 500,000 accounts by offering tailored solutions that meet their needs and help them on the path to financial resilience.

We provide support across multiple channels to meet our customers' needs. We handle calls and follow clear pathways to assist customers. Additionally, appointment-based support is available in branch. Through our Lloyds Bank, Halifax and Bank of Scotland branches, customers can book an appointment with a specially trained colleague who can help with any money worries. We also had more than 2,400 colleagues helping to provide financial assistance to customers in financial difficulty through tailored services and products.



We offer customers in financial difficulty easily accessible support, either over the phone or online, through:

- **Allowing time to seek support:** We can offer credit card, loans and overdraft customers who need time to seek support and guidance a temporary pause on all interest and fees, with no contact regarding payment during that period
- **Repayment plans:** Mortgage, motor, credit card, overdraft and loan customers are able to discuss a range of support options, including allowing more time for repayment or making reduced payments for a period of time
- **Consolidating debts:** Credit card, loans and overdraft customers can consolidate their outstanding debt into a lower interest loan
- **Changing products:** We offer customers the option to secure a new mortgage rate up to four months in advance, which provides more flexibility and choice. If these rates fall during those four months, customers can then switch again to the lower rate. Customers on a variable rate, whether they're up to date on payments or not, can switch to a new fixed rate
- **Mortgage Charter:** We remain committed to the Mortgage Charter measures and have enhanced our customer journeys to enable customers to get the support they need

Key resources to support customers

Our Money Worries and Money Management website pages across our Lloyds, Halifax, Bank of Scotland and MBNA brands are an invaluable resource for the over 760,000 annual visitors.

1. Money Worries pages provide guidance for customers likely to be in financial difficulty or concerned about keeping up with payments, including the ability to directly access tailored solutions to help get back to financial health.
2. Money Management pages contain resources, tools and tips to help customers stay on track and manage their finances.
3. External signposting to organisations such as StepChange, which provide independent help and debt advice as well as support with income maximisation.

Support tool for customers in vulnerable circumstances

Throughout 2025, we have continued with our commitment to supporting both colleagues and customers in vulnerable situations. Our continued expansion of this tool helped us offer appropriate solutions based on the impacts and needs identified, empowering colleagues to have meaningful conversations with customers about their circumstances.

This tool was accessed over 32,600 times in 2025 highlighting the importance of providing colleagues with the knowledge and tools to serve our customers. Where we are unable to help, where appropriate we will look to signpost or refer to external organisations and partners, providing customers with additional support.

>760k

annual visitors to our Money Worries and Money Management pages in 2025

Understanding the unique needs of our customers

We know every customer is different, and we're committed to understanding and meeting those needs. That's why we've added features to our online and mobile banking that let customers tell us what support works best for them, whether that's receiving letters in a specific format, or letting us know about speech difficulties or the use of British Sign Language.

Customers can share their requirements with us in person, online or over the phone. In 2025, more than 2.2 million support needs were recorded across our channels, helping us provide the right support when it matters most.

By recording and sharing these needs with the right teams, we make sure customers don't have to repeat difficult conversations. It's a practical step that saves time and shows empathy for every experience.

Accreditations and awards

Throughout 2025 Lloyds Bank, Halifax and Bank of Scotland has retained the 'Advanced' rating through its 'Mental Health Accessible' programme for banks and essential services. The programme aims to improve outcomes for customers living with mental health challenges, helping to break the link between financial difficulty and mental health problems.



Empowering a prosperous future continued

02 Empowering people and businesses to plan and achieve their ambitions and growth

Our aim is to provide financial propositions and services that will help people and businesses achieve their ambitions and goals: from saving for a specific objective, through managing credit profiles to be able to borrow responsibly, to accessing the right information, networks and finance that will empower businesses to start up, grow and fulfil their potential.

→ Helping customers realise their goals

Your Credit Score

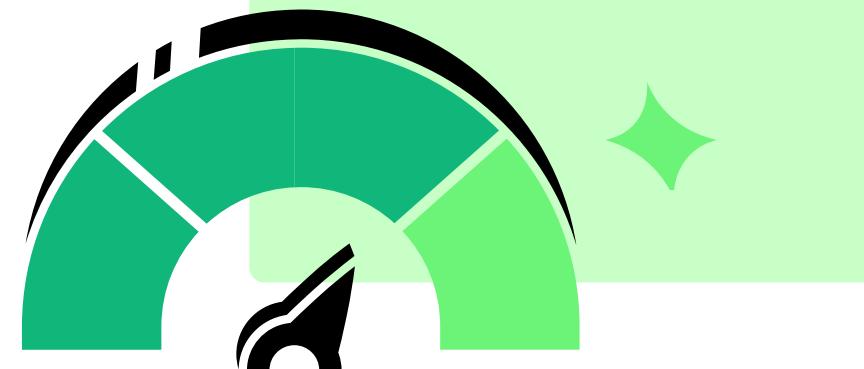
Your Credit Score, a free service provided in partnership with TransUnion, empowers customers with up-to-date insight into their credit information, what's affecting their credit score, and hints and tips to improve it over time. Launched in September 2021, we now have recorded more than 12 million registered users.

Every quarter, we consistently see over 500k customers improve their score band, which can make it easier for them to make big financial steps such as getting car finance or buying a home. The tool provides suggested actions customers can take to help improve their score as well as see what might happen if they take steps such as opening a credit card.

Customers who don't yet have a credit history or are new to the UK can now register their interest to review their score and credit report. We'll reach out to them once it's made available in the app so they don't need to keep coming back to check.

>500k

customers improved their credit score band each quarter in 2025



This year it has been easier for customers to spot anything that doesn't look right and might have a negative impact on their score – seeing what hard searches have been made on their credit profile is a really good indicator of this and potential fraud.

If something doesn't look right, customers can easily report this to the credit bureau, TransUnion – over 51k customers in 2025 took proactive steps to make sure their information is correct.

Since its launch in 2021, the tool has helped customers find and secure the right borrowing choice for them, with >500k lending needs met via Your Credit Score.

Simplifying shared financial management

We have teamed up with Lumio, the innovative money app, aimed at transforming how people manage their shared finances. Lumio's cutting-edge app allows couples or other people who manage a household budget together, to manage their finances in a shared space, track shared expenses and save together towards common financial goals.

We invited selected Lloyds Bank customers to trial the app and enjoy three months free access to Lumio Couples Pro, Lumio's premium package, typically priced at £4.49 per month.

Purpose in action

Advance Credit Card

A strong credit history can make the difference in realising life goals – whether that's buying a car, your first home, or taking control of your finances. Taking that first step into credit can be daunting. Advance makes building a credit score simple and rewarding, using our expertise to give those in the early stages of their credit journey, the right tools and education.

Advance is built for our current account customers who previously fell outside of cards' risk appetite. These individuals pass affordability checks but lack deep credit histories, often younger customers or those new to borrowing. We're offering a tailored solution that promotes responsible credit use and financial confidence.

Key features of the card include:

- Tailored support: Access to jargon-free resources via a knowledge hub online to help customers understand credit and build money skills
- No foreign transaction fees: Spend abroad without extra charges
- £20 reward: When customers keep their account up to date during the first six months
- One interest rate: To make it simple to understand

Advance is an example of how we are helping our customers feel empowered with their finances, supporting a group that has been overlooked in the market. It deepens engagement with our customer base, and supports our broader goals of sustainable profitability and inclusive financial wellbeing.



SDG 8.10

Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Link to strategy



Empowering a prosperous future continued

Empowering people and businesses to plan and achieve their ambitions and growth continued



Empowering businesses and entrepreneurs

Businesses and entrepreneurs are the driving force behind the UK economy. Our role is to support businesses at every stage, helping them to grow sustainably in every region and sector of the UK. In 2025, Lloyds Bank has supported the aspirations of more than 1 million businesses¹.

Building on this, we focus additional support on business communities that face the greatest structural and socio-economic barriers. In 2025, through our partner network, we delivered more than 38,000 hours of targeted support to over 9,000 Black, women and disabled entrepreneurs. Research shows that breaking down barriers to underserved entrepreneurs would yield significant economic returns. It is estimated that closing the 'enterprise gap' could unlock an additional £250 billion in economic value from women-led businesses, £230 billion from disabled entrepreneurs and £75 billion from ethnic minority-led businesses. These figures underline why targeted support matters – not just socially, but also economically.

We use research and evidence to continuously strengthen our business ecosystem, ensuring our initiatives drive real, systemic change for customers. To achieve this, we work with our partners, networks and communities to co-create and deliver meaningful, sustainable outcomes.

As Steering Board Members of the 'Lilac Review', we helped build evidence of the barriers faced by disabled business owners and to shape recommendations for government, finance providers and business support. Disabled founders represent 25% of small business owners in the UK, but account for only 8.6% of turnover, a gap we're committed to helping close as a founding signatory of the Disability Finance Code for Entrepreneurship.

Building on the findings of the Lilac Review, we launched the Lilac Centre together with Small Business Britain and other Founding Partners. This is the UK's first flagship business incubator dedicated to advancing the success of disabled entrepreneurs. Through the Lilac Centre, we are facilitating a series of networking events, masterclasses, and mentorship programmes for disabled business owners.

We also continue our pledge to create equal opportunities for women entrepreneurs, particularly via the 'Investing in Women Code' and the Invest in Women Taskforce.

Research shows that Women entrepreneurs are particularly underrepresented in high-growth sectors. As such, we have dedicated specific resources to supporting women in sectors that are of critical importance to the UK economy. For example, we have proudly sponsored the Women in Manufacturing conference for three consecutive years and are collaborating on the sector's "35 by 35" vision to achieve 35% female representation in manufacturing by 2035.

In 2025, we also shared our 'Black Entrepreneurs Programme Progress Report', detailing our journey over the last three years in providing tailored support to strengthen Black entrepreneurs' trust in banks and address barriers that impact their ability to scale. In collaboration with our Black Business Advisory Committee and partners such as Channel 4, Black Business Magazine, and the UK Black Business Show, we are continuing to elevate the voices of this community whilst delivering support that is both relevant and responsive to their needs.

¹ Figure includes clubs, charities and societies.

Purpose in action

Little Soap Company

The soaring success of Little Soap Company is down to the drive and dedication of founder Emma Heathcote-James, who has built an international body care business navigating the world with autism and ADHD.



In 2008, Emma was inspired by her grandmother to create a range of natural, pure soaps that are kind to both the skin and planet. Starting small and selling at local farmers' markets, Little Soap Company quickly grew, entering the supermarkets some six months later and gradually scaled to become the household brand that it is today.

Little Soap Company is a proud B Corp and the recipient of numerous accolades. From organic soaps to haircare, skincare and even a line of pet shampoos, Little Soap Company is listed in all major UK retailers including Tesco, Sainsbury's, Waitrose, Morrisons and WHSmith. The company is also expanding into new markets overseas.

Emma recognises Lloyds Bank for being a banking provider that "understands the brand and how to work with us". That longstanding relationship is also supporting the next chapter in Emma's journey.



The funding package from Lloyds supported the firm's investment in new software to automate forecasting and order fulfilment, which was instrumental in the company's growth, enabling more efficient processing of orders and better integration with manufacturing."

Emma Heathcote-James
Founder, Little Soap Company



SDG 8.10
Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.



SDG 10.2
By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status.

Link to strategy



Empowering a prosperous future continued

Empowering people and businesses to plan and achieve their ambitions and growth continued

Access to finance

From the early direction and funding needed by newer entrepreneurs, to supporting larger companies and enterprises as they expand and grow, we support SMEs to scale and create new jobs across the country.

Limited access to finance is often cited as a significant barrier for businesses, particularly those from underserved business owner groups. In May 2025, 57% of disabled entrepreneurs said access to finance was their most critical support need over the next 12 months. Lloyds Bank is committed to breaking down barriers faced by disabled entrepreneurs by co-creating financial solutions and networks that address their unique challenges.

As founding signatories, we played a pivotal role in delivering the baseline report for the Disability Finance Code for Entrepreneurship (DFCE) in 2025. The report set out a series of recommendations for financial institutions to unlock opportunities for disabled entrepreneurs which we are actively implementing.



In 2025, we created a customer panel of disabled entrepreneurs to review our lending journey. Their feedback drove changes that made our language clearer and more inclusive for business owners of all backgrounds. We also commenced a partnership with Gusto Research to establish a 400-person panel of disabled entrepreneurs to ensure our products and services better meet the needs of disabled people while enhancing the experience for our entire customer base in 2026 and beyond.

Alongside the direct support we provide to businesses, we are equally committed to helping entrepreneurs grow and scale through other parts of our ecosystem. Through our partnerships, we have supported early-stage entrepreneurs to secure access to grant funding worth over £50,000 in 2025.

In addition to this, we unlock access to finance through strategic partnerships for entrepreneurs across different regions of the UK. In 2025, we extended our sponsorship of The Lifted Project through to June 2027, reinforcing our belief in data-driven, regionally focused approaches to unlocking capital for high-growth women founders. The project has driven the creation of regional growth boards in Scotland, Newcastle, Leeds, Liverpool and Birmingham, and launched initiatives like the Built to Rise Accelerator in Leeds, designed to scale ambition and investment readiness.

We have also piloted new mechanisms to strengthen access to finance for early-stage businesses. Through a referral scheme connecting entrepreneurs with Community Development Finance Initiatives (CDFIs) – small, non-profit lenders that provide vital funding to businesses not yet ready for traditional financial institutions – we have referred 78 businesses, with loan requests ranging from £25,001 to £250,000. These initiatives are unlocking ambition and growth in underserved regions, ensuring that local businesses could thrive and contribute to regional productivity.

Purpose in action

Translate Culture



SDG 8.3

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.



SDG 8.10

Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Link to strategy



Founded in 2019 by Masibu Manima, Translate Culture provides end-to-end solutions to help organisations maximise their growth potential.

The pandemic hit, which looked like it could end the business before it even got started, but Masibu's e-commerce expertise proved to be his saving grace. Throughout the pandemic, the business sky-rocketed and Masibu began working with bigger brands.

In 2023, Translate Culture were unable to secure finance through traditional high-street banks as they had a limited accounting history. To meet rising client demand responsibly, they got Community Development Financial Institution (CDFI) funding to enable recruitment, strengthen delivery capability and maintain the momentum of their early expansion.

Throughout the duration of the loan, they maintained consistent repayments, demonstrating both financial stability

and commitment. When the funding term approached renewal, the CDFI advised that, based on performance and increased maturity as a business, a high-street bank would be able to offer a more affordable loan product.

Following this guidance, they approached Lloyds Bank and successfully secured a £50,000 loan. Lloyds Bank funding played a significant role in enabling Translate Culture to scale internationally, enhance operational efficiency and build a more resilient business model.

Translate Culture has since grown with its clients, adding c.£100,000 in revenue each year since launch. The progression from CDFI support to Lloyds Bank lending illustrates how inclusive finance pathways can unlock long-term prosperity, with Lloyds Bank playing a key role in enabling businesses to access the right funding at the right time to scale their business.

Empowering a prosperous future continued

Empowering people and businesses to plan and achieve their ambitions and growth continued

Access to skills

To truly empower our customers, we go beyond strengthening access to finance, offering a broader range of resources and support, recognising that access to finance is one of several critical components to sustainable business growth. For this reason, we have also provided specific programmes dedicated towards equipping businesses with skills essential to their long-term performance.

In 2025, we strengthened our partnership with Foundervine through a curated programme of Accelerators, pitch nights and interactive networking delivered across London and Birmingham. Two eight-week Accelerators supported 50 high-growth Black entrepreneurs, strengthening operational capabilities, expanding trusted networks, creating jobs and supporting pathways to long-term sustainable growth. Building on this delivery, the Foundervine Breakthrough Accelerator launched in Q4 2025, designed to support 25 Disabled Entrepreneurs with the skills and networks required to scale.

To read more about how Lloyds Bank Academy is supporting businesses from underrepresented communities see [page 35](#).

>71,000

small businesses have accessed our Lloyds Bank Academy business skills resources

Access to information

We have launched three online hubs, which collectively have attracted over 33k unique clicks in 2025. These hubs have proved a vital resource for underserved business owner groups, featuring case studies, practical guides and signposting to support them at every stage of their entrepreneurial journey. You can visit our hubs via:

- [Black Entrepreneurs Hub →](#)
- [Disabled Entrepreneurs Hub →](#)
- [Women Entrepreneurs Hub →](#)

We also continue to be the headline sponsors of Black Business Magazine (BBM). BBM addresses a recommendation from the Black. British. In Business & Proud report to amplify the stories of successful Black business owners.

Access to networks

Throughout 2025, we have made significant progress in enhancing access to networks. We have dedicated specific resource to building out opportunities for underserved business owner groups to build networks and showcase their value, allowing them to connect with new partners and build their customer base, recognising the untapped economic potential they offer. Through large scale networking events, we have reached over 5k underserved entrepreneurs.

Key highlights include:

Naidex:

We were headline sponsors of 'Naidex' this year – the UK's largest conference for the Disabled community, attracting over 12,000 annual visitors, including over 1,000 entrepreneurs. As part of Naidex, we introduced Elevate, the first UK pitch competition for Disabled entrepreneurs. Out of more than 60 impressive entries, four entrepreneurs were selected to pitch their businesses live on stage at Naidex, facing a panel of expert judges. The winner and runner-up each received grant funding and tailored mentoring support to help accelerate their ventures.



Disability Means Business:

We have launched a bold new campaign in partnership with Purple Goat agency – Disability Means Business – challenging stereotypes and raising visibility of Disabled entrepreneurs as drivers of innovation and growth. The campaign has already achieved over 350,000 organic social media views, signalling strong engagement and momentum.



Black in Business initiative:

We launched the second year of our Black in Business initiative, in partnership with Channel 4, in which the total TV advertising pot was increased to £600,000. Four Black-led businesses won a bespoke TV advert, which aired for the first time in summer 2025. The winners have also been personally supported by members of the Group's Executive Committee and have reported significant commercial uplifts with one reporting more than a 60% increase in orders.



Black Business Show:

As part of the Black Business Show in Birmingham and London, we backed the Launchpad pitching competition and delivered on-the-day mentoring and business support to attendees. More than 19,000 people attended the two events – 4,600 of which were entrepreneurs – and through Launchpad, we provided opportunities for eight business owners to showcase themselves in front of hundreds of potential customers, investors and business partners.



Empowering a prosperous future continued

03 Building towards secure, independent futures for UK people and businesses

We want our customers, clients and communities to be equipped with the right tools, guidance and propositions to build a financially more secure and sustainable future.

As a financial services provider, integrating banking, investment and pensions offerings, we are in a unique position to help our customers navigate the complexities of long-term financial planning. We are focusing on providing accessible insurance, protection, investments and pensions products and also innovative forms of education to help engage our customers and communities more broadly.

Our annual retirement reports have identified the different areas that impact our customers and their communities' long-term security. They have also identified the ways we can support to reduce inequality and insecurity in those areas.

We offer a range of Insurance products to enable our customers to protect what matters to them most, this is across Home, Health, Motor and Pet insurance. With accessible products and digital journeys, our customers can tailor the product to their requirements.

Retirement Report

In our flagship thought leadership report series this year we focused on financial empowerment as an overarching theme. We saw that the number of people in the UK who are not on track for a minimum retirement lifestyle is growing, and over half know they aren't saving enough for retirement. In this year's Retirement Report, we highlighted certain groups who face particularly daunting retirement prospects including Generation Z (those in their twenties), middle-income earners and the self-employed. Pensions are a powerful tool for building wealth and financial resilience for retirement, but it's important for everyone to consider their entire financial picture to face the future confidently.

Women and Retirement Report

Our Women and Retirement Report revealed that the gender pension gap has widened to 32%, leaving more women at risk of poverty in retirement. With one in four women out of work for over five years by age 55, we highlighted how women's career breaks for childcare, menopause or health, significantly impact their retirement outcomes.

We have developed digital tools and gamification for the Scottish Widows app which addresses some of the issues our reports raise, such as the Career Break modeller.



We concluded that closing the gender pension gap and helping women to secure a better financial future, requires bold pension reforms and stronger decision making.

The 2024 report was shortlisted for a number of industry awards. This year we also won a PRWeek award for our campaign 'Beat The Gap: Twenty years of the Women and Retirement Report' and an International MarCom Award for our campaign 'Chasing the Agenda for Equality in Retirement'.

Retirement Realities: Unlocking the workplace benefits

In a new report for us this year we took a closer look at workplace pensions and the part they play in an employee's overall remuneration package. We spoke to employees and employers across the UK and uncovered a stark truth: over a third (34%) of workers risk not being able to cover their basic needs in retirement. Workplace pensions have the power to transform financial futures, but low engagement is stopping people from making the most of this vital benefit.

Ready-Made Pension

Since the launch of our Ready-Made Pension, we have opened over 7,000 accounts, giving more customers access to flexible pension solutions. On average, customers save £200 each month, steadily building long-term financial security. The service has proven particularly popular among independent earners, with 41% of customers being self-employed.

We've launched a Ready-Made Pension under the Scottish Widows brand, giving customers who are new to Lloyds Banking Group the ability to open a simple pension and access it seamlessly through our app.

Ready-Made Investments

Our Ready-Made Investments have empowered over 84,000 customers to begin their investment journey, with over £500 million invested in their future. And now with a market-leading fund charge of 0.1%, more of our customers' money is invested in their future.

Career Break Modeller

Women face a unique set of barriers when it comes to their wealth, their autonomy and the ability to take control of their financial future. Changes to pensions over the years have led to a societal shift, with many people in the UK heading for a future income that's below the minimum living standard.

Nest Insight Research: Making Retirement Saving Easier for the Self-Employed

Currently, only 18% of the UK's 4.4 million self-employed workers save into a pension, despite three-quarters expressing a desire to do so. Unlike employees, self-employed individuals miss out on automatic enrolment, leaving many without structured retirement savings. The Group and Department for Work and Pensions supported Nest Insight to explore an "autosave" mechanism, a default approach that nudges people to save while allowing opt out.

Findings show there is interest in default savings, particularly when combined with accessible savings options alongside pensions. Prototypes tested through banking apps demonstrated that integrating autosave into financial platforms could boost participation. This approach aims to make saving effortless, reducing barriers linked to irregular income and lack of employer support. We encourage policymakers to consider default mechanisms as part of broader reforms to ensure financial security for all workers.

If we then overlay the systemic barriers women specifically face, we're looking at an even bigger challenge. 36% of women are heading for a below minimum living standard compared to 31% of men.

But the vast majority of women aren't even aware there's an issue. Which is why we have created gamified content in the Scottish Widows app which addresses some of the challenges this report raises. Our new in-app content alerts users to the issues, explains clearly what the gender pension gap is and provides some reassurance that taking action today isn't as difficult as you might think. We also include some practical and simple tips for a better tomorrow.

Empowering a prosperous future continued

Building towards secure, independent futures for UK people and businesses continued

Purpose in action

Scottish Widows Lifetime Investments

In 2025 we launched Scottish Widows Lifetime Investments, our new default offering. It aims to maximise pension growth potential, with a high exposure to equities when customers are many years away from their retirement age, and a shorter de-risking phase. So their pension savings are invested in higher-growth investments for longer. Customers will continue to benefit from our open architecture approach to investment management.

We've worked with Robeco to develop indices that deliver good financial outcomes for our customers, whilst helping to shape a better world to retire into. The new funds include tilts towards companies that have a positive impact on the UN Sustainable Development Goals and those that are climate leaders and therefore likely to benefit from growth opportunities that the low carbon transition brings.



SDG 8.10

Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Link to strategy



Private market investments

As a founding signatory of the Mansion House Compact, Scottish Widows is aiming to secure better outcomes for its customers by investing in private markets. The Compact¹ is a voluntary commitment to invest at least 5% of pension investment defaults in private markets².

Scottish Widows considers private investments as a way to enhance diversification and provide potential access to growth opportunities within a modern portfolio structure.

Private market investments encompass a range of asset types distinct from traditional public markets, including private equity, venture capital, infrastructure, private credit, real estate and natural capital. They deliver different investment return streams with different characteristics that can be particularly useful in enhancing workplace pension member outcomes throughout the retirement journey. They can support innovative start-up, or growth businesses, to scale or access real assets, giving investors exposure to new return streams not found in listed markets.

What's particularly attractive about private market investments is that they can provide tangible environmental, social and governance (ESG) benefits by enabling direct influence over portfolio companies. The concentrated ownership structure typical of private markets opens up new routes of engagement and influencing as it enables investors to exert influence through pre- and post-deal active engagement. The level of influence is dependent on the asset type. Investors may drive sustainability practices, improve governance and promote social impact initiatives more effectively than in public markets. Value creation over the longer term is supported through active ownership, alignment with ESG goals and funding of innovative, purpose-driven businesses. For example, they can support businesses that are solving real-world problems like clean energy, affordable housing or better healthcare. While the illiquid nature of private markets can come with higher risks, it also provides unique opportunities to enhance customer outcomes while advancing net zero objectives.

Scottish Widows has been working hard to open up access to private market investments, initially for its workplace customers, in a measured and thoughtful way.

In August, the FCA granted Scottish Widows approval to launch its own Long-Term Asset Funds (LTAFs). LTAFs have been specifically designed to deal with long-term investments that aren't easy to buy and sell quickly, with safeguards built in. We will provide options for workplace pension customers to have exposure to private assets via our approved LTAF and will seek new opportunities to invest in climate and nature solutions through this structure.^{1,2}

Schroders Personal Wealth (SPW)

In 2025, SPW, the wealth management and advice business became a fully owned subsidiary of Lloyds Banking Group. SPW which, will be rebranded as Lloyds Wealth, offers a personalised advice-led proposition managing c.£17 billion in assets under administration for c.60,000 clients. The acquisition accelerates the Group's wealth strategy creating an integrated banking and investment proposition combining expert face-to-face advice with digital tools.

SPW provides its clients with investment products that integrate its Responsible Investment principles into the research and selection process. SPW Authorised Corporate Director's (ACD) approach to ESG factors consists of four pillars: Exclusions/Restrictions, Collective Investment Scheme ESG Assessment, Engagement and Stewardship, and Monitoring and Oversight. Further information can be found within SPW ACD's Responsible Investment Policy.

SPW aims for net zero operations by 2030 and net zero across its supply chain by 2050. Further information can be found in [SPW's 2024 Responsible Business Report](#) →

SPW is excluded from financed emissions calculations and net zero targets due to previous lack of direct control. We will review and define an appropriate approach for SPW assets under administration going forward.

Purpose in action

Scottish Widows Insurance

Scottish Widows continues to strengthen its protection proposition, helping customers and advisers build financial security with confidence. Income Protection now completes our suite for independent financial advisers, reinforcing our market position and supporting this vital product in safeguarding incomes when it matters most. We've embedded a digital protection journey into the home-buying process, enabling us to protect twice as many mortgage customers, and expanded our reach through leading consumer aggregators such as MoneySuperMarket and CompareTheMarket – meeting customers where they are and improving access to cover. Innovation remains central to our approach, with AI accelerating underwriting and claims to tackle pain points that persist across the industry. These changes reflect our commitment to making protection simpler, more accessible, and aligned to our purpose of helping people plan for a secure future.



SDG 8.10

Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Link to strategy



Empowering a prosperous future continued

04 Unlocking opportunities through financial and digital capability and inclusion

→ Building digital and financial capability

Our commitment to being a digitally inclusive financial services provider is an important part of how we are Helping Britain Prosper and this extends beyond our usual role.

In 2025, we were pleased to be able to take an active role in the Financial Inclusion Committee, with Jas Singh, CEO, Consumer Relationships, chairing the Digital Inclusion and Access to Banking sub-committee. Work of the Committee, which was convened by HM Treasury with a mission to tackle barriers to individual and households' ability to access affordable and appropriate financial products and services, supported development of the government's Financial Inclusion Strategy.

Our digital initiatives and tools demonstrate our dedication to helping people and businesses feel confident managing their money digitally.

We have worked with social housing associations, charities and local authorities to provide face-to-face support. We offer housebound and low digitally confident people with the only industry Digital Helpline, which provides free support, data and devices.

Online, we offer a free open-sourced set of essential digital skills, employability and financial skills training, created in partnership with internal experts and external partners. For customers, we embed support in key customer journeys, and offer expertise and content to our large clients and charity partners. For small businesses, mentoring and coaching has also been provided.

We believe digital and financial inclusion is about providing access to technology or financial products and equipping individuals and businesses with skills, confidence and opportunities. Our efforts reach across diverse segments and communities, aiming to help them feel empowered.

“

Digital and financial exclusion aren't peripheral issues – they can be significant barriers to feeling part of society and supporting people to feel included and empowered is crucial. This is a massive step forward to improve access to banking for those who need it most, improving digital capability and confidence and helping people to build a stronger financial future.”

Jas Singh

CEO, Consumer Relationships at Lloyds Banking Group

¹ National estimates are taken from a nationally representative survey (5,000 UK adults; from 3 – 28 July 2025). Figures on AI usage and reported savings are based on self-reported survey data and reflect perceptions at the time of fieldwork, not verified outcomes.

Consumer Digital Index: A decade of insight and the future of empowerment

The [2025 UK Consumer Digital Index](#) → is the 10th edition of this landmark study. It combines behavioural and transactional data from 1 million customers with large-scale surveys and interviews to deliver a comprehensive view of digital and financial lives across the UK. This helps shape the national conversation on inclusion and empowerment – and is used by government, devolved nations and local authorities, industry and the charity sector.

In the report, we build on a decade of data, by exploring how AI is influencing personal finance, revealing that those embracing digital tools say they feel more informed, empowered, and better able to save.

The research highlights that while AI is helping to transform how people manage their money giving them greater control over their financial futures, people need to trust that the information they receive is accurate, secure, and being provided in their best interests.

Financial empowerment goes beyond access to technology – it's about confidence. When smart, well-governed AI is combined with trusted expertise, its potential to improve financial wellbeing and support Britain's economic prosperity becomes truly transformative. Highlights from our report:

28m

adults are now using AI tools to manage their money, from everyday budgeting to savings goals and financial education¹

Almost **1 in 3** adults report using AI weekly to manage their money¹

£815 is the average saved each year by people who are most digitally and financially capable¹

Supporting our customers' needs

We want every customer to have a great experience and access our services in a way that works best for them. Wherever they are, we're committed to making banking simple, accessible and inclusive for all.

Inclusive design

Inclusive design is a core priority for us in the way we design and deliver services and experiences to our customers and colleagues. It underpins our commitment to helping communities across Britain prosper by ensuring that everyone can access and benefit from our products and services.

What inclusive design means for us:

We take an iterative approach to understanding customer needs, assessing the impact of what we design, and ensuring equitable, sustainable access for all. Inclusive design is not just a principle, it's a practical tool and approach to decision making that shapes how we plan, build and deliver services.

How we embed inclusive design:

We have developed inclusive design and delivery toolkits, practical resources that help teams apply inclusive approaches throughout planning and delivery, translating policy into practice. We continuously seek to improve our tools and resources to make sure our teams can design effectively for different communities and people's needs.

Collaboration and testing:

We work with external specialists, such as the Digital Accessibility Centre (DAC), to test and evaluate our designs, ensuring they are accessible and usable for everyone.

In 2024, we launched the inclusive design panel in partnership with social business Three Hands. This panel brings together individuals with lived experience and experts from charities and support organisations. They review, test and critique our products, offering ideas to improve accessibility and make services more inclusive.

We have seen a 200% uplift in customers using the app Direct Debit journey after information enhancements recommended by the Inclusive Design Panel.

Empowering a prosperous future continued

Unlocking opportunities in the financial and digital ecosystem continued

→ Making money meaningful with financial education

We have a strong foundation in financial education, providing significant financial and resource investment, active leadership, and partnership on various programmes.

The provision of financial education remains inconsistent across UK schools with 53% of children stating they do not receive a 'meaningful financial education'¹ 3 in 4 teachers saying most students leave school or college without key financial skills and teachers feeling both under-equipped and under-resourced to fill the gaps.

Our colleague-led financial education programme is delivered face-to-face in schools across the UK using accredited resources, and provides small-scale, deep-impact education. Evaluation from our 2025 campaign confirmed that 84% of students had learned how to better look after their money and 83% felt more confident to discuss money with an adult.

In 2025, approximately 300 of our colleagues used their skills and resources and delivered lessons to 2,278 students in 29 different educational environments across the UK.

>2,200

students supported through face-to-face financial education lessons

29

schools engaged with provision of indoor and outdoor financial education

84%

of students said they had learned how to better manage their money

¹ UK Finance - Financial Education Report →

² Hundreds of thousands of young people leaving school every year without money skills →

We maintain a partnership with Young Enterprise to ensure our learning outcomes are aligned with the recommendations from the Money and Pensions Service. We also actively engage with peer organisations through our involvement with UK Finance and promote significant initiatives such as Talk Money Week and National Numeracy Day throughout the year.

Led by insights into learning outcomes, we ran a pilot to take traditional indoor learning outdoors, testing this approach with Year 5 students in six UK locations. The outdoor sessions boosted engagement, especially among students who were less engaged indoors. Teachers observed improved behaviour and focus and volunteers described the experience as rewarding and inclusive.

Of the students we worked with:

- 57% felt more confident discussing money with their families
- 33% gained confidence in staying safe with digital money

For 2026, our strategic goal is to continue to create impact across local communities. We are enthusiastic about the potential to reach even more young people and advance our ambition to foster financial literacy and independence.

Museum on the Mound financial education

Museum on the Mound uses the Group's historical collections to help young people and families form a positive relationship with money. The aim of the Museum's education service is financial empowerment, delivered in a unique way that makes financial concepts accessible and engaging.

The strength of the service comes from being able to provide context and make learning hands-on using real artefacts. We step back to explore the fundamentals: where money came from, why society needs it, and how to recognise its value.

In 2025, Museum on the Mound supported 13,064 young people nationwide through digital and in-person workshops. 98% of group leaders rated our programmes as excellent and 100% would recommend them. Young people's interest in money soared, with inspiration scores rising from 5.2 to 9.2 after Museum workshops.

Our programmes spark meaningful conversations about money within families, as young people take their learning home and share what they've discovered. Through engaging, curriculum-aligned workshops, the Museum empowers individuals to build confidence in managing money, fostering lifelong financial resilience and informed decision making.

Empowering young people through our collaboration with MyPocketSkill

In 2025, we teamed up with MyPocketSkill, a platform that connects young people to flexible income opportunities such as tutoring, photography, music coaching and more. Through the collaboration, students from leading universities, including University College London, University of West London, Cardiff University and Swansea University were able to earn money whilst they study.

During the first phase of the initiative, over 2,000 students with Lloyds accounts registered, with 120 successfully completing tasks and collectively earning more than £60,000. This initiative promotes financial independence and helps address the barriers students encounter when balancing work and study.

Purpose in action

Doshi

Through the Launch Innovation Programme – an initiative that connects FinTechs with business teams to develop and test innovative solutions – we have run an experiment with Doshi, a platform that uses gamification to make financial education engaging and impactful.

Doshi breaks down complex financial topics into bite-sized lessons with quizzes and rewards, creating an experience that is intuitive, motivating and encourages ongoing learning. Together, we introduced interactive, gamified financial education to younger customers, particularly students, to help build knowledge and confidence in managing their finances.

The collaboration has delivered strong results. Survey findings showed:

- 69% of respondents reported an increase in money confidence (74 respondents)
- 91% said they would continue using Doshi to improve financial understanding (303 respondents)

With more than 1,800 individuals signed up and over 20,000 lessons completed, these outcomes highlight the power of gamification in making financial learning relevant for the next generation.

By embedding financial education into engaging digital experiences, we are improving our customers' financial literacy. This approach empowers younger generations to make informed choices and develop positive habits, setting them up for success in the future. Our partnership with Doshi demonstrates how collaborative innovation creates real impact for our customers, showcasing the strength of the Launch programme in bringing fresh ideas to life.



SDG 4.4

By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

Link to strategy



Empowering a prosperous future continued

Unlocking opportunities in the financial and digital ecosystem continued



Lloyds Bank Academy – Building confidence and capability for a financial and digital future

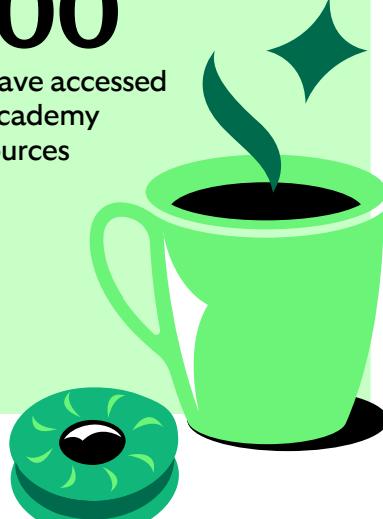
Our Academies offer free support to individuals and businesses across the UK, equipping them with essential digital skills and financial confidence to thrive in an increasingly online world.

>428,000

People have accessed our Lloyds Bank Academy financial and digital skills resources

>71,000

small businesses have accessed our Lloyds Bank Academy business skills resources



This year over 500,000 people and businesses have accessed our Academy skills resources, with opportunity to boost their financial and digital capability and scale their businesses through expert-led programmes. Breaking down barriers to inclusion and empowering communities with practical tools and knowledge, the Academy is driving meaningful change, creating opportunities and improving resilience to enable sustainable growth for all.

Our success is built on collaboration. We work with a wide range of partners, from local authorities and government bodies to community organisations and charities. We deliver tailored support, meeting people where they need us and feel comfortable. Our commitment to growing confidence and capability also extends to the partners we work with. Our train-the-trainer model ensures skills and capabilities stay in the community after our Academy trainers have moved on, creating a long-lasting impact.

In 2025, the Department for Science, Innovation and Technology recognised the Academies' impact, acknowledging our work in bridging the digital divide in the Liverpool City Region with our public and private sector partners.

Supporting our customers and communities across the UK

We remain dedicated to tackling digital exclusion and financial vulnerability through practical interventions that make a material difference in people's lives. To empower and uplift our customers' financial and digital confidence, we've developed a multi-brand, multi-channel support model that delivers meaningful help across face-to-face, telephony and online formats. In 2025, 428,246 individuals accessed these Academy skills resources.

Our work extends across all areas of society. We have delivered face-to-face financial skills lessons in 24 UK prisons to support the Group's wider Access to Banking programme. With over 600 learning interactions with prisoners we have seen increased confidence in managing bank accounts and personal finances – critical for rehabilitation. Additionally, we launched 16 financial skills modules on the HMPPS Virtual Learning Campus, widening support to those outside our direct partnerships.

We are empowering branch colleagues in Scotland and Wales to help customers build digital and financial skills. With over 23 million users now banking online, tailored training equips colleagues to deliver practical support on online safety and digital money management. By embedding these skills into everyday conversations, branches are bridging the digital divide, boosting financial resilience, and creating meaningful impact in local communities.

Growing our support to the Liverpool City Region

We are committed to creating inclusive opportunities for communities across the UK. In Liverpool City Region, the Academy has expanded its support through digital and financial skills programmes in partnership with the Combined Authority.

We've partnered with Liverpool City Region Combined Authority, Vodafone and Assurant to deliver the Digital Inclusion Initiative. Since launching in 2023, it has provided over 5,500 residents in the region with a digital device, six months of connectivity and in-person skills training. This supported customers and people in the community who were digitally excluded.

Through our relationship with the Combined Authority we've grown our impact in the region, with a focus on supporting young people at risk of becoming NEET (not in education, employment, or training). We've helped 107 students on the national Elevate programme understand how to manage a bank account through lessons. We're also supporting care leavers in the region, aged 18 to 21 with digital skills, through the Youth Guarantee programme.

Supporting UK businesses to thrive

In 2025, 71,848 small businesses have accessed our Academy financial and digital capability resources. This has given them opportunity to access multi-channel skills support including online learning platforms, expert-led interactive webinars, peer-to-peer mentoring and a bespoke Start-Up, Scale-Up business and digital skills programme. We also partner with leading organisations like Small Business Britain. Together, we offer business-focused webinars and provide access to thousands of free online learning licences for Skillsoft Percipio. This helps businesses grow their leadership and technical skills.

We've continued to grow our online, multi-channel Start-Up, Scale-Up programme for small businesses. This year, we've supported 620 businesses through the programme, including 351 business owners from underserved communities.

Towards the end of 2025, we launched the programme to Bank of Scotland customers, with 33 customers benefitting so far. This means we are now supporting small businesses from every region across the UK to thrive through our Start-Up, Scale-Up programme.

Supporting our colleagues

We have transformed customer digital skills support through partnership with Athena, a GenAI-driven system designed to deliver instant, accurate responses to colleague queries. This makes digital and financial education easier for customer-facing colleagues to access. Academy resources such as digital skills lessons, fraud awareness, and budgeting support are now surfaced directly in Athena's AI-powered search results enabling customer-facing teams to quickly find support on digital inclusion and financial wellbeing.

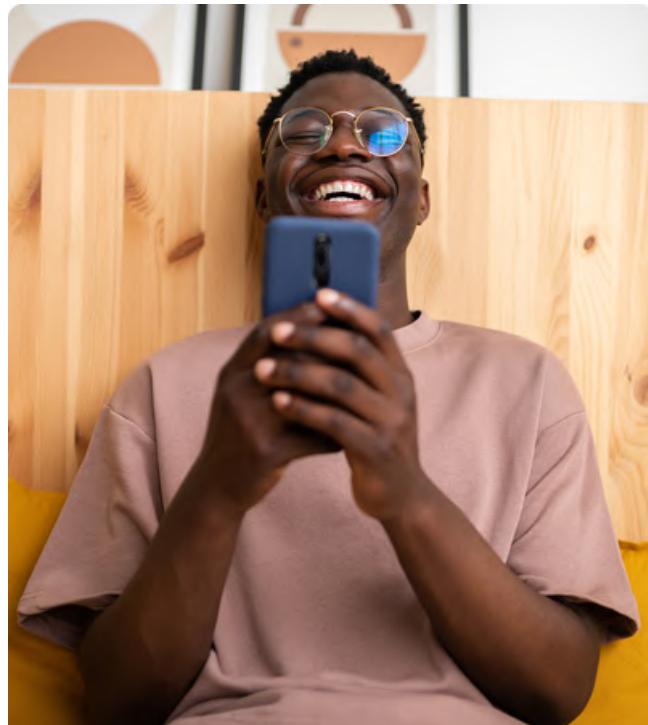
Our [online learning hub](#) → has a wide range of lessons that are open to everyone and completely free.

Empowering a prosperous future continued

Unlocking opportunities in the financial and digital ecosystem continued

→ Transforming financial education for long-term savings

Scottish Widows is transforming the customer experience through digitising financial education and engagement allowing customers to access tailored digital learning, interactive tools and gamified experiences. We are empowering our customers with the tools to make informed decisions in order to build financial resilience, while strengthening our customer base.



Be Money Well

Scottish Widows is equipping people with the financial and digital skills to help manage money and plan for their future through its Be Money Well hub. We offer a comprehensive digital learning platform tailored to real-life financial needs which is available to everyone even if you are not a Scottish Widows customer. This year, 18,698 people have been supported through the platform, enabling them to learn about pensions, plan their financial futures and get support with digital and life's money moments.

Pension Mirror

Scottish Widows' Pension Mirror online tool has gone from strength to strength, winning several awards. The digital tool – which sits on Scottish Widows' website – scans users' faces and uses AI technology to guess their age. It then tells them the average pension savings for other people their age using the Office for National Statistics data, encouraging the comparison of their personal pension savings and engagement with the Scottish Widows app alongside education over pensions.

Pension Hub

The Pension Hub is a new dedicated space available within the Retail app focusing on pensions. It's designed to provide a range of engagement tools and educational content to help customers better understand their pension options.

To date, over one million customers have visited the hub to gain a deeper understanding of pensions and their role in achieving future retirement plans.

Purpose in action

Games and pension savings

SDG 4.4
By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

SDG 8.10
Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Link to strategy

Up ▲ Down △



Supporting regional development and communities

With roots going back over 250 years, Lloyds Banking Group has played a pivotal role in supporting individuals, businesses and communities right across the country.

Our regional footprint means that we can help businesses to grow and thrive and we are committed to broadening economic opportunity by stimulating growth and creating high-quality jobs, benefitting local communities.

We provide expert financial support and guidance to businesses of all sizes and from all sectors. Our leading digital and relationship banking services offer a broad range of finance, helping to meet our clients' needs as they expand and flourish.

In this section

Be a partner in the regeneration of the UK's regions and nations

39

Build and regenerate housing to create thriving communities

42

Broaden economic opportunity by enabling the creation of high-quality jobs and inclusive growth

43

Help communities to develop and adapt to immediate and future needs through community investment and engagement

45

Sustainable Development Goals



See our full reporting suite on the sustainability page of our website.



Supporting regional development and communities continued

→ Pillar objectives, highlights and impact

Supporting individuals, businesses and communities across the UK to grow and thrive.



Objectives

01

Be a partner in the regeneration of the UK's regions and nations

See page → 39

02

Build and regenerate housing to create thriving communities

See page → 42

03

Broaden economic opportunity by enabling the creation of high-quality jobs and inclusive growth

See page → 43

04

Help communities to develop and adapt to immediate and future needs through community investment and engagement

See page → 45

Highlight

£100m

lending to the Haweswater Aqueduct Resilience Programme

Our impact

>370

businesses supported through our CDFI funding to date

Linked to strategy

 **Grow**

£340m

finance delivered from our £500m commitment in partnership with National Wealth Fund



£50m

sustainability-linked loan to Mosscare St Vincent's

 **Grow**



5,000

apprentices, graduates and engineers trained through the 10-year sponsorship of the Manufacturing Technology Centre (MTC)

>£8m

estimated additional benefit generated from partnership with MTC through referred SME partners working with MTC on projects

 **Grow**

c.£36m

donated to our foundations in 2025 to support local communities



>£800m

donated to our charitable foundations since 1985, now celebrating their 40th anniversary

 **Grow**

Supporting regional development and communities continued

01 Be a partner in the growth of the UK's regions and nations

→ Regional development

Our regional development programme

Our regional development programme is designed to stimulate economic growth and create sustainable employment across the UK's diverse regions and nations. In particular, the programme focuses on unlocking potential in areas that have historically faced economic challenges, which is crucial for Helping Britain Prosper.

Regional Impact Fund:

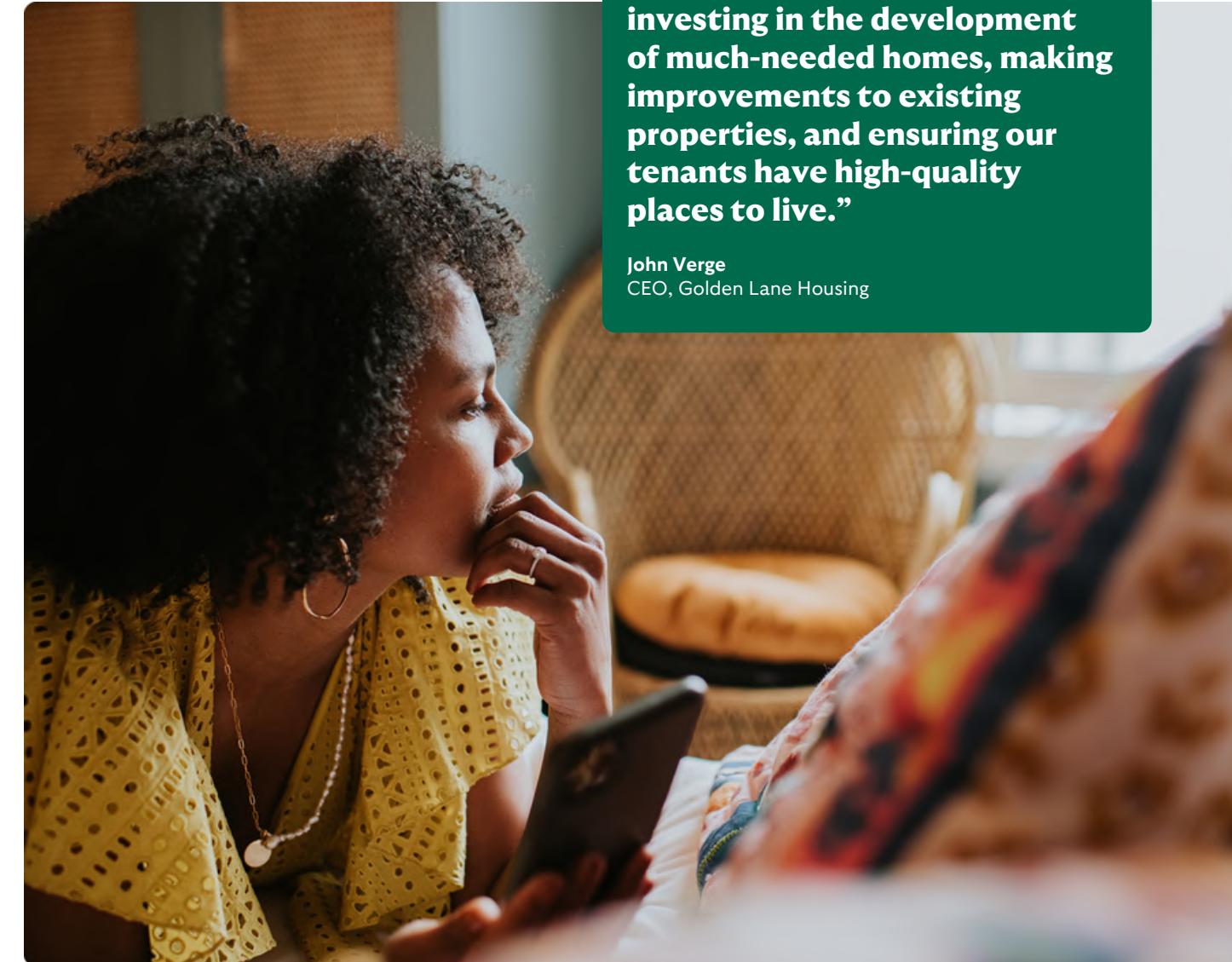
We have committed £1 billion to support opportunities in the UK's regions which are aligned with our Regional Development objectives. The Regional Impact Fund is allocated specifically to projects that will have significant social, economic or environmental impact at a regional level. A highlight from this year is our funding for Golden Lane Housing.

Golden Lane Housing (GLH): Funding that counts

Golden Lane Housing is based in Manchester and offers supported housing across England, Wales and Northern Ireland. The organisation provides high-quality, secure homes that enable people with a learning disability and autistic people to live independent and fulfilling lives.

Many individuals they support face significant barriers to accessing appropriate housing, including those leaving long-stay hospitals, at risk of homelessness, or requiring specific adaptations to live safely. The organisation works to ensure that people facing barriers to access housing have the right home and support to thrive in their communities.

Our funding of £10 million is provided through a Revolving Credit Facility giving a flexible option for Golden Lane Housing to access funds as and when they are required.



“

The financial backing from Lloyds allows us to continue investing in the development of much-needed homes, making improvements to existing properties, and ensuring our tenants have high-quality places to live.”

John Verge
CEO, Golden Lane Housing

Supporting regional development and communities continued

Be a partner in the growth of the UK's regions and nations continued

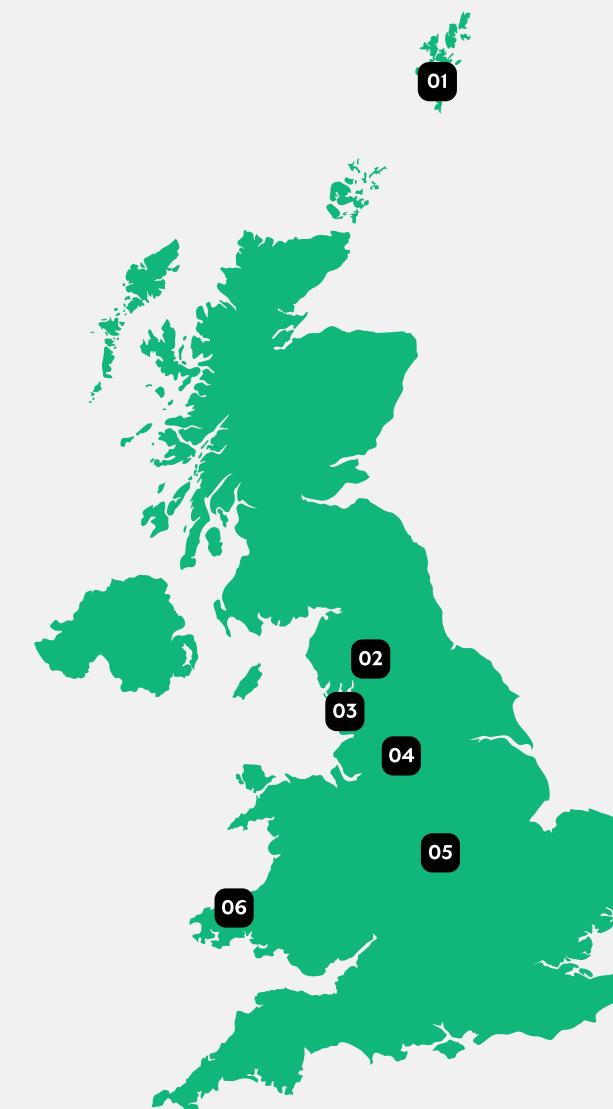
→ Supporting businesses across the UK

The Group has its origins firmly rooted in the regions and nations of the UK. As part of our strategy, we support businesses of all sizes every day, helping them to thrive through the funding and other financial propositions we provide to them.

In 2026 we will make £35 billion of new finance available to companies operating and investing in the UK. Of this, £9.5 billion will be dedicated to small and medium-sized enterprises (SMEs) and over £1 billion will be made available to businesses in the North East, aligning with our partnership to drive investment into the region. You can read more about this on [page 43](#).

We believe helping businesses thrive and supporting their growth ambitions creates opportunities in regions and communities across the UK. Deploying incremental lending – from helping to build new homes to supporting the expansion of manufacturing businesses – can create new jobs and benefit communities.

Supporting UK businesses



01

Zenobe Energy

Our funding of £20 million as part of a £60 million project finance facility will enable UK energy storage company Zenobe to build a 68MW battery energy storage system (BESS) in Lerwick in Shetland. The system is the next crucial step in connecting Shetland's distribution network to the mainland grid and is expected to go live in 2026. The BESS will allow the Lerwick Power station to move to standby operation only, cutting emissions, utilising more renewables and supporting the energy transition.

02

Haweswater Aqueduct Resilience

The Haweswater Aqueduct Resilience Programme is a transformational infrastructure project to design, build, finance and maintain six new tunnel sections along half of the 110km aqueduct. Once complete, it will deliver 570 million litres of clean drinking water daily. We have committed £100 million as part of a wider £3 billion deal to safeguard the water supply for 2.5 million people across Cumbria, Lancashire and Greater Manchester. The project will create up to 1,200 jobs, including local recruitment and apprenticeships.

03

DES Energy

We have provided £800,000 in funding to Lancashire-based DES Energy which designs, funds, installs and manages solar and electric vehicle (EV) charging infrastructure for commercial clients. The business is targeting a 40% increase in turnover in the next two years, which will also lead to increased recruitment and more apprenticeships.

04

Bruntwood SciTech

Bruntwood SciTech's property platform serves the UK's innovation economy and alongside other lenders we jointly provided a £100 million increase to the existing funding package during the year. This will help its continued expansion plans to support the growing demand from life science, technology and innovation businesses across the UK, delivering world-class infrastructure and specialist support in locations including Manchester, Cambridge, Leeds and Birmingham.

05

Technoset

We provided an asset finance package to Technoset, a precision engineering firm based in Rugby. The funding enabled a £650,000 investment in advanced machinery and automation, including sliding head lathes and a milling machine with automated handling, boosting production efficiency and competitiveness. Lloyds Banking Group's support is helping the company to expand into emerging markets like telecommunications.

06

Derw Glass

We supported Derw Glass, a leading glass manufacturer based in Pembrokeshire, to upgrade its operations and produce more energy-efficient double-glazed windows. Our funding will enable the purchase of new machinery which will cut energy consumption by around 10% per month, improve insulation performance, and create opportunities for workforce upskilling.

Supporting regional development and communities continued

Be a partner in the growth of the UK's regions and nations continued

Purpose in action

Community Development Finance

We were proud to continue our support for the Community Development Finance sector with a further allocation from our Regional Impact Fund.



SDG 8.3

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation.



SDG 9.3

Increase the access of small-scale industrial and other enterprises to financial services, including affordable credit, and their integration into value chains and markets.



SDG 10.2

By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status.

Link to strategy



>370

businesses supported through our CDFI funding to date

Community Development Finance Institutions (CDFIs) are small, not-for-profit lenders who provide finance to local businesses, often in the most disadvantaged communities.

During 2024 we announced £43 million of funding for three CDFIs based in Doncaster, Wolverhampton and Bradford, as part of a £62 million fund. This was the first commercial loan made to the sector by a mainstream UK lender and was fully drawn by the three CDFIs involved during 2025. Overall the funding intends to invest in 800 businesses, sustaining around 10,500 jobs, with over 370 businesses already supported.

One recipient is Lumberjaxe Foods, which secured a £100,000 loan to scale production of its natural seasonings and sauces and expand its retail footprint following a successful pitch and investment on the Dragons' Den television show. This loan was provided by BCRS Business Loans, a CDFI which supports the growth of small and medium sized businesses in the West Midlands and Wales.

Our commitment to CDFIs continued during the year. In October we announced £5.6 million of additional funding for one of our original CDFI recipients, which will help to create a new CDFI based in Blackpool, with investment expected early in 2026. This funding aims to improve access to finance for local businesses and social enterprises across Blackpool and the Fylde Coast. The new CDFI will help the area build on its ambitions to become a vibrant, inclusive and innovative place to live, work and grow.

During 2025 we provided grant funding for legal advice to help CDFIs join the British Business Bank's Community ENABLE Funding Programme. This is an important step in increasing finance for the sector. We also continue to play a convening role in sector growth and we look forward to working with the British Business Bank and other lenders to continue to promote the CDFI sector and expand the available pool of funding to help more CDFIs to scale.

Business in the Community

For 40 years, Business in the Community (BITC) has worked alongside communities, recognising that they understand their own challenges and how to solve them, but often struggle to mobilise resources and access national or regional support. As founding partners, our years of experience working with BITC have shown us there are no quick fixes to the complex challenges faced by these communities.

Pride of Place is BITC's place-based regeneration and social impact programme. It brings together businesses, local government, civil society and communities to drive long-term, sustainable change in areas facing deep disadvantage.

The programme operates in some of the UK's most deprived places, aiming for systemic transformation, not short-term fixes. Partnerships are business-led, with senior leaders from local and national organisations working alongside councils, voluntary groups and residents. We provide sustained resource, advice and support to motivate and empower local stakeholders so that each place can identify its own challenges and innovate its own solutions.

Blackpool Pride of Place Partnership

We are part of the Blackpool Pride of Place Partnership, which was formed in 2017 as BITC's pilot and flagship partnership, bringing together leaders from the public, private, and voluntary sectors – including Blackpool Council – to tackle deep-rooted social and economic challenges together, delivering lasting regeneration.

The Partnership developed a long-term Town Prospectus and has made excellent progress, including the £40 million Blackpool Town Deal in 2020, £140 million of Levelling Up funding and, in 2024, £90 million for housing renewal for England's second most deprived ward.

Through our work with the Partnership, we identified the opportunity for a CDFI to support Blackpool and the surrounding area, which could unlock new investment for local start-up and scale-up businesses. The announcement of the new CDFI was made at the Tower Ballroom in Blackpool during the year and demonstrates what can be achieved when local partnerships and national commitment come together.



Supporting regional development and communities continued

02 Build and regenerate housing to create thriving communities

Purpose in action

Mosscare St Vincent's

During the year we provided a £50 million sustainability-linked loan to Mosscare St Vincent's. The housing provider owns and manages around 9,000 social and affordable homes, mainly in the Greater Manchester area, and its ethos is to deliver excellent landlord services and provide warm, safe homes for its residents.

“

This funding from Lloyds will enable us to continue in our mission of providing high-quality, affordable, much-needed homes in Greater Manchester and beyond, while meeting our sustainability goals.”

Steve Aggett

Executive director of finance and business excellence,
Mosscare St Vincent's Housing Group



SDG 7.3

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.



SDG 11.1

By 2030, double the global rate of improvement in energy efficiency.

Link to strategy



Albyn Housing Society

Our £10 million loan will help Albyn to deliver 600 new affordable homes across the Highlands – a region where there is an urgent need for quality housing.

Albyn Housing manages around 4,000 homes across the Highlands of Scotland and prides itself on ensuring that the design of new homes is shaped by the voices of the local community. This includes energy-efficient designs and innovative heating solutions, creating homes where people can thrive. The first phase of development will bring new properties to Highland locations including Ullapool, Tain and Alness, each designed to meet the needs of the people who will live there.

Albyn also embraces innovation, using smart technology to monitor residents' wellbeing, helping vulnerable tenants live independently and safely at home.

igloo Regeneration

In 2025, Housing Growth Partnership (HGP) completed its second transaction with the regeneration specialist, igloo Regeneration. The funding will support the development of 26 new homes and a commercial unit at Fruit Market in Nottingham. This site is the next phase in a major regeneration project in the city's Creative Quarter, and its central location means residents can live car-free within an easy walk of the city's amenities. Homes will be built to reduce energy usage and bills, featuring high-performance external fabric, air source heat pumps and underfloor heating, supporting HGP's commitment to low-carbon, future-proofed housing. This investment builds on HGP's strategic partnership with igloo, which aims to deliver over 1,100 sustainable homes across the UK.

Keepmoat

During the year Lloyds Living contracted housebuilder Keepmoat to deliver 294 single-family homes to the rental sector in Yorkshire. The homes will be built at four sites, with more than 200 of the homes having an all-electric specification, aligning the homes with zero-carbon living.

The homes are strategically located to offer excellent access to local amenities, schools and transport links, ensuring families have access to high-quality and sustainable rental options.

Supporting regional development and communities continued

03 Broaden economic opportunity by enabling the creation of high-quality jobs and inclusive growth

Purpose in action

Skills Development for SMEs

Small and medium enterprises (SMEs) are a critical force in sustaining quality, well-paid employment in the UK. We continue to support SMEs to grow by developing the skills of their workforce, particularly in sectors of critical importance to the UK economy like housing and manufacturing.

In 2025, we celebrated the 10-year anniversary of our £15 million strategic partnership with MTC. This partnership supports the development of skills, research and innovation in the UK's manufacturing sector. With the support of Lloyds Banking Group's sponsorship, it has now trained over 5,000 apprentices, graduates and engineers through centres in Coventry, Liverpool and Oxfordshire.

Lloyds Banking Group's sponsorship has also helped develop MTC's Apprentice Support Service Programme, which helps SME manufacturers to recruit apprentices and access funding via the government's Apprenticeship Levy.

The partnership also aims to help address the skills gap in the manufacturing sector, providing a unique platform to connect manufacturers with high-quality training in areas such as electrification, digitalisation and clean energy systems. Research from Make UK suggest the 55,000 manufacturing vacancies cost the economy £6 billion in lost output each year.

To date, more than 700 SME manufacturers have been referred to the partnership, with more than 115 going on to work with the MTC on specific projects for their business, generating over £8 million of additional benefit, through improvements and upgrades for equipment, automation and sustainability-led projects.



SDG 4.4

By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.



SDG 8.3

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation.



SDG 9.5

Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries.

Link to strategy



→ Partnering with industry to support regional growth

Industrial Strategy

The recently announced UK government Industrial Strategy outlines key sectors, technologies and regions the government intends to support through targeted investment and coordinated policy initiatives. Our Industrial Strategy roadshow in partnership with the Confederation of British Industry (CBI) helps to bring this to life. The year-long programme is designed to help government and businesses co-deliver a successful industrial strategy that drives growth across every sector, nation and region of the UK.

The programme began in Birmingham and is touring UK cities, uniting business leaders, policymakers and stakeholders to explore how collaboration drives investment, innovation and inclusive growth. Rooted in local dialogue but nationally ambitious, these events aim to shape the UK's industrial future.

Investing in the North East

One of the high-potential sectors identified in the Industrial Strategy was clean energy. We are pleased to be partnering with the North East Combined Authority and the Office for Investment to accelerate private investment into the North East of England, focused on clean energy opportunities. This will be significant to unlocking the region's potential to benefit from the energy transition, aligned with the region's aim of creating 25,000 clean energy jobs by 2035. To support the North East, we contributed to the financing of the new AESC Envision gigaplant in Sunderland, boosting EV production and strengthening the regional supply chain.

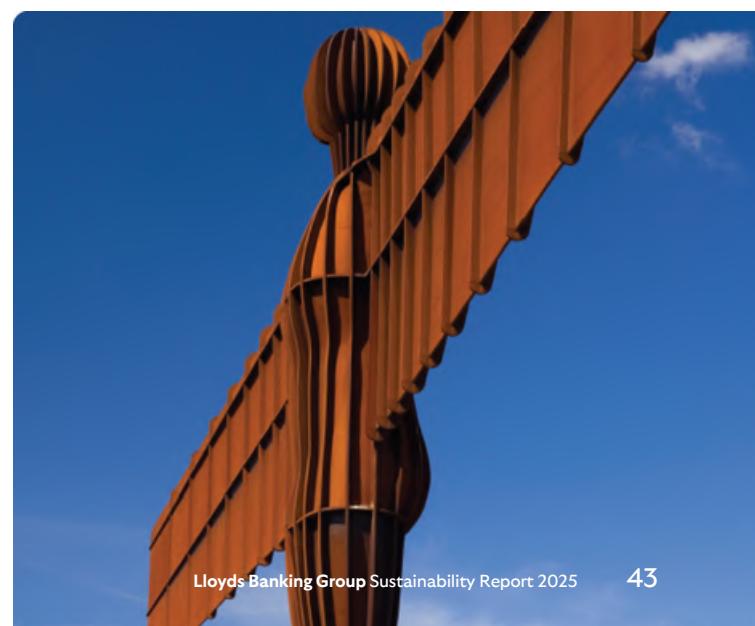
Universities and skills

Universities are drivers of regional growth, fuelling innovation, undertaking world class research, and building future skills. This ensures Britain's workforce of the future is well equipped which is essential for the delivery of the UK's Industrial Strategy.

In 2025 we provided new lending facilities to a number of universities, including the University of Birmingham, helping with their future plans. We also supported universities in embedding sustainability into treasury strategies through Sustainability Referenced Deposits, which fund projects in renewable energy, green buildings and social housing. By the end of 2025, 27 universities had placed over £253 million into this form of deposit.

Beyond our banking relationships, we are proud to exchange knowledge and expertise with many universities. Our Group Executive Committee visited the University of Leeds, exploring how AI and digital transformation is shaping the future. During the year we also partnered with the University of Newcastle, hosting events on the societal challenges and opportunities shaping 2025 and beyond.

We are partnering with universities to help students manage finances as they leave home, offering financial literacy courses and enhanced student accounts. Read more on [page 34](#).



Supporting regional development and communities continued

Broaden economic opportunity by enabling the creation of high-quality jobs and inclusive growth continued

→ LDC

Our private equity investment arm LDC works with a broad range of portfolio companies across the UK to grow their business sustainably, diversifying and differentiating growth for the Group.

At the same time it partners with management teams to deliver financial growth and embed responsible practices that create long-term value for businesses, communities and the environment.

Here are some examples of businesses we have supported to grow:



Purpose in action

Investing in student accommodation: UniHomes



SDG 11.1

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

Link to strategy



UniHomes is a Sheffield-based student accommodation advertising platform, helping students find their 'home from home'.

Following two years of significant growth, LDC is reinvesting in the business. Since LDC's initial investment in 2023, the business has grown revenue by 75%.



UniHomes has driven growth through significant UK expansion. In 2025, it partnered with over 1,000 letting agents and operators. With LDC's support, it has increased its nationwide presence from 41 to more than 60 locations. They have also launched in Scotland and increased employee headcount by 65%.

The business has invested in its platform, sales, marketing, and launched several new initiatives to benefit students, including free 24/7 access to mental, financial and physical wellbeing support. Recognising the mental health challenges students face, UniHomes has a vision to make student living stress-free, enabling students to spend more time focusing on their studies and enjoying their time at university.

The reinvestment from LDC, alongside new investment from Macquarie Capital, will enable UniHomes to further enhance its technology, broaden its customer offering to both existing and new partners, and accelerate expansion to other markets including purpose-built student accommodation, build-to-rent and professional sharers.

Purpose in action

Zip World

Following a successful six-year partnership, LDC exited its investment in Zip World in 2025, concluding a transformative chapter for the adventure tourism brand.

Backed by LDC, Zip World more than doubled its sites from three in North Wales to a nationwide portfolio, launched world-class attractions, and diversified into accommodation. This strategic growth drove turnover up by 95%, headcount by 200%, and boosted the company's valuation from £45 million to more than £100 million.

An independent 2024 North Wales Tourism report revealed that Zip World contributed £941 million to the Welsh economy over the last decade, creating jobs, attracting visitors, and revitalising communities.

Zip World's B Corp certification further cements its commitment to sustainability, placing it among just 47 certified companies in Wales and only 18 adventure tourism organisations globally. This recognition celebrates its excellence in maintaining natural landscapes while delivering economic regeneration.

Andrew Hudson, CEO of Zip World, said: "As LDC concludes their successful investment journey with us, we want to thank them for their

support over the years which has allowed us to stay resilient and achieve so many of our goals despite the significant disruption caused by the Covid-19 pandemic."

£941m
contributed by Zip World to the Welsh economy over the last decade



SDG 8.3

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation.



SDG 12.6

Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Link to strategy



Supporting regional development and communities continued

04 Help communities to develop and adapt to immediate and future needs through community investment and engagement



As a Group, we believe in the power of communities – and we stand with those facing social disadvantage, housing insecurity and low financial capability as well as the global challenge of transitioning to net zero, which affects us all. Our commitment is to act with purpose through investment and skills.

Through our Community Engagement programme, we join forces with specialist partners, using our scale and expertise to work towards a more inclusive and sustainable society. Our support takes many forms – from direct financial contributions to colleague volunteering and fundraising – all measured with the Business for Societal Impact (B4SI) external framework to ensure transparency and impact. By funding our four charitable Foundations, partnering with Crisis to unlock access to quality affordable housing, delivering financial education to children and young people, and working with the Woodland Trust to protect nature, we are helping to break cycles of disadvantage and drive meaningful change for generations to come.

→ Colleague volunteering

Our primary volunteering themes remain closely aligned to our Group's purpose and strategic partnerships to support our impact as a Group.

Our volunteering programme supports colleagues to give at least eight hours a year within work time to volunteer in communities. Volunteers have been involved in activities ranging from tree planting through our partnership with the Woodland Trust to supporting charities with strategic challenges. Skills volunteering continues to be a key goal to better serve our communities – both applying our own skills and developing the skills of charities and community groups.

Throughout 2025, 10,809 colleagues volunteered more than 91,000 hours across the UK with over 46% using their skills to support across our partnerships and key themes of sustainability, financial education, housing and homelessness, and charities supported by our charitable foundations. Colleagues also claim matched giving, managed by our Foundations, for the volunteering that they do in their personal time.

We have undertaken a comprehensive review of our volunteering strategy, reaffirming our commitment to Helping Britain Prosper through purposeful action. Grounded in colleague insight, sector benchmarking and cultural reflection, our strategy reimagines volunteering as a strategic enabler – embedding it into our Group strategy and aligning it with our core themes of housing, financial resilience, sustainability and place-based impact. The renewed approach expands flexibility and access, re-emphasises skills-based and team volunteering, and leverages technology to match colleagues with causes that matter. By integrating gamification, recognition and leadership endorsement, we are fostering a culture where volunteering is not only encouraged but celebrated. This transformation empowers colleagues to grow, connect and contribute, bringing our values to life and delivering meaningful change in the communities we serve.

More information can be found about our financial education schools volunteering programme on [page 34](#).



Supporting regional development and communities continued

Help communities to develop and adapt to immediate and future needs through community investment and engagement continued

→ Charity partnerships

Supporting housing as a route to end homelessness

Homelessness remains one of the most urgent challenges facing our society. At Lloyds Banking Group, housing is embedded in our purpose, and through our partnership with Crisis and Simon Community Northern Ireland, we are helping to deliver lasting change.

Now in its third year, our partnership is driving both direct support and systemic change. Since launching in April 2023, colleagues have raised almost £5 million and volunteered more than 11,000 hours to support people experiencing homelessness. This includes 176 Changing Lives grants, helping individuals to start businesses, enter education, or gain qualifications. Colleagues have also contributed 517 hours of tailored mentoring, workshops and coaching – giving people the confidence and skills to succeed.

In 2025, Good Place Lettings, a not-for-profit lettings agency designed to break down barriers to affordable housing, opened its doors, directly funded through our colleague fundraising. This practical innovation complements our joint national advocacy, including a call from the Group and Crisis for 1 million new social homes by 2033, keeping housing firmly on the national agenda.

We are also expanding our support for Crisis' Skylight centres, funding frontline services across nine locations. These centres offer personalised care through dedicated lead workers, helping people access the right services for their situation.

Over 20,000 colleagues have completed understanding homelessness awareness training. Crisis Advocate training has started at the end of 2025 where those trained are able to use their voices to champion change. Signature events like the Atlas Mountain trek, City Walks and the Sahara Desert Trek continue to inspire action and raise vital funds.

Purpose in action

Woodland Trust

We are contributing to a greener and more sustainable future through our partnership with Woodland Trust and our commitment to planting 10 million trees over the 10 years to the end of the decade.

To meet the UK's goal of net zero carbon emissions by 2050, woodland cover needs to increase from 13% to 19%, (the equivalent to 1.5 billion trees) but the UK currently has one of the lowest levels of woodland cover in Europe at 13.5%, (25th out of 28 countries).

Our partnership contributes towards this goal, while also enabling colleagues to volunteer with the Woodland Trust in both tree planting and inventory activity. In 2025, a further 1 million trees have been planted as a result of the partnership.



SDG 13.3

Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.



SDG 15.a

Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.

Link to strategy



>£1.8m

raised by colleagues and customers to support Crisis and Simon Community in 2025



Supporting regional development and communities continued

Help communities to develop and adapt to immediate and future needs through community investment and engagement continued

→ Our charitable Foundations

2025 marks the 40th anniversary of our four charitable Foundations, demonstrating the Group's long-term commitment to communities across the UK and Northern Ireland. The Foundations support small and local charities tackling social disadvantage in the areas that need it most.

This year's £35.7 million donation from the Group takes the total since 1985 to more than £800 million, with at least another £100 million pledged by 2030. The Foundations invest this funding to help people overcome issues such as poor mental health, domestic abuse, addiction and homelessness. Beyond funding, around 700 colleagues have volunteered to share their skills and expertise to further support small charities.

Together with all four Foundations, we commissioned new research in 2025 to understand charities' role in improving financial resilience. Consumers told us that support was well received, but charities felt their capacity was low. In response, the Group donated £2 million to create a £4 million joint fund with the Foundations to build charity capability and capacity. The Lloyds Bank Academy will also provide tailored training and resources to charities in 2026.

£35.7m

donated to our charitable Foundations in 2025



Lloyds Bank Foundation for England and Wales

Lloyds Bank Foundation for England and Wales is supporting Women and Digital Inclusion (WODIN) with a three-year unrestricted grant of £75,000, plus strategic development support and Lloyds Banking Group's colleague volunteers through the Skills Exchange Programme.

WODIN helps migrant women across Merseyside get digitally and socially connected. It runs free digital skills training in a flexible environment so women with children can attend without worrying about childcare. Learning digital skills builds confidence, connections and independence.

WODIN's Founder and CEO, Sylvia, said: "We've never had that kind of funding before, where you choose where you put the money, where your organisation needs it most. As well as funding, we have had support with a business strategist who has helped us reshape our vision, shape our strategy, create proper strategic objectives and we have a plan how we are going to give it legs. We needed support with our financial management, and with support from Lloyds colleagues we now have a tool that has helped me apply for more funding."



Bank of Scotland Foundation

Every day, children as young as five wake up not to cartoons, but to adult responsibilities: cooking meals, administering medication, comforting parents battling illness or addiction. Many don't realise they are 'young carers', leading to exhaustion, isolation, and falling behind at school.

Edinburgh Young Carers exists to change that, giving these children the chance to be children again. Since the pandemic, referrals have surged by 150%, with carers aged five to nine up 75%. Without support, their futures are at risk.

Bank of Scotland Foundation is helping through a multi-year grant of £88,580, enabling Edinburgh Young Carers to expand capacity, reduce waiting lists, and provide one-to-one counselling, family services and social activities. Thanks to this funding, 70 more children each year can improve school attendance, wellbeing and confidence. Every child deserves to be a child first. Bank of Scotland Foundation is making that possible.

Margaret Murphy, CEO of Edinburgh Young Carers, explained: "The Foundation's multi-year grant has allowed us to significantly increase our capacity to support our youngest carers. We can now work with these young people much more quickly, which has made a real difference for both the children and our staff."



Halifax Foundation for Northern Ireland

Commedia of Errors create art that responds to challenges and questions the changing times in which we live. They aim to grow, develop and inform audiences, beneficiaries and the arts sector and to broaden and deepen engagement by overcoming barriers to arts participation. They also run the Plays Aloud programme, an older people specialist theatre programme with a particular focus on dementia. It connects with isolated older people living in care homes, nursing homes and dementia units across Northern Ireland, bringing arts activities and performances to those with no access to traditional arts programming.

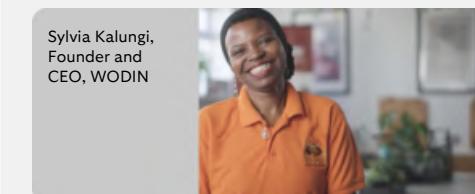
Commedia of Errors have secured 10 grants from the Halifax Foundation since 2015 including a two-year, £40,000 grant through the 40 Invest Grant Programme. They have also been matched with a Lloyds Banking Group mentor through the Mentoring Programme. This developmental partnership fosters personal and professional growth, enabling the charity to navigate challenges and enhance their leadership skills.



Lloyds Bank Foundation for the Channel Islands

Also celebrating their 40th anniversary, Guernsey-based charity, Grow, received one of the very first donations made by the Lloyds Bank Foundation for the Channel Islands. Forty years ago, the £5,000 donation funded two watercress beds, a new boiler, infrastructure to provide water to the project, and a cold store. These proved vital investments for the charity, whose mission is to support adults with learning disabilities and difficulties develop self-confidence and life skills; enabling them to be included and valued within a workplace and the wider community by providing occupational training and mentoring in a safe and stimulating environment. Fast forward to 2025 and Grow has benefitted from £200,000 from the Foundation, with funds over the years supporting new glass houses, site redevelopment and staff salaries.

Marguerite Talmage, Grow Board Trustee said: "Grow has become part of the Guernsey community... every family can have people with learning disability among them – Grow is a safe haven for them to come and learn additional skills."



Sylvia Kalungi,
Founder and
CEO, WODIN



Margaret Murphy,
CEO of Edinburgh Young Carers with
Development Worker, Mel Aitken
and Young Carer,
Amelia



Commedia
of Errors'
'Plays Aloud'
programme



GROW crew
manning
their newly
opened shop



Building an inclusive organisation

We aspire to be the UK's leading business for inclusion – supporting our customers, colleagues and communities.

Our ambition is to build a workforce that reflects the diversity of the society we operate in, enabling us to better serve those we work with and for.

We recognise that our success depends on our people. Attracting and retaining top talent is critical to delivering our strategic transformation. That's why we're focused on creating an environment where colleagues feel supported, empowered and confident about their future.

From inclusive practices to a safe and healthy workplace, we are committed to fostering a culture where everyone can thrive, learn and grow – driving productivity, resilience and long-term value for the Group.

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Remove barriers and provide opportunities for our colleagues to thrive	54
Support the health, safety and wellbeing of our colleagues	57
Provide the appropriate technology, tools and skills for our colleagues to thrive	58

Sustainable Development Goals



See our full reporting suite on the sustainability page of our website.



Building an inclusive organisation continued

→ Pillar objectives, highlights and impact

We aspire to be the UK's leading business for inclusion – building a workforce that reflects the diversity of the society we operate in, enabling us to better serve those we work with and for.



Objectives	Highlight	Our impact	Linked to strategy
01 Create a more inclusive organisation that is representative of our society <small>See page → 50</small>	Highlight Strong inclusion score (84%) from 2025 MyVoice annual engagement survey 	40.4% of executive roles held by women and 17.5% of executive roles held by Black, Asian or Minority heritage colleagues	
02 Remove barriers and provide opportunities for our colleagues to thrive <small>See page → 54</small>	 Recognised in the Top 75 Social Mobility Employer Index, debuting at 40th place	 Overall 22% of our UK colleagues are from low socio-economic backgrounds ¹	
03 Support the health, safety and wellbeing of our colleagues <small>See page → 57</small>	1,703 wellbeing advocates onboarded across our business	2025 eNPS +23 (increased by 15 points from last year)	
04 Provide the appropriate technology, tools and skills for our colleagues to thrive <small>See page → 58</small>	c.10k colleagues participated in Data & AI summer school in 2025 	Building confidence in developing new skills to transform how we show up for customers	 

Building an inclusive organisation continued

01 Create a more inclusive organisation that is representative of our society

Embedding inclusion at the heart of our transformation

Reflecting the society we serve is at the heart of our transformation. It enables us to design products and services that truly meet customer needs, attract exceptional talent and build stronger connections with communities. At Lloyds Banking Group, inclusion isn't an add-on – it's a driver of progress for colleagues, customers and communities.



In 2025, we have continued to embed inclusion into how we work – linking it to our purpose, performance and culture. This approach helps us deliver better experiences for customers and accelerate meaningful change.

We are evolving our approach by making Inclusion the organising principle of our people and customer strategy. This reflects what our colleagues and customers expect, aligns with regulatory standards, strengthens our ability to attract talent, serve diverse markets and customers, and manage risk. Diversity and equity remain essential outcomes of our approach.

Finally, we've strengthened the structures that support inclusion across the Group, recognising that in a fast-changing and often challenging world, inclusion provides stability and confidence for everyone.

Inclusive transformation: Driving measurable impact

To unlock better experiences for colleagues, customers and the business, we've introduced our Inclusive Transformation approach – a bold shift in how we design, work and lead. This approach aims to embed inclusion into everything we do, equipping leaders and line managers to champion inclusive behaviours every day. It helps colleagues navigate complexity and societal change with a globally aware, future-ready mindset, ensuring inclusion is not an add-on but a core part of how we operate.

Inclusive behaviour strategy

Our strategy positions inclusion as an enabler of high performance and team effectiveness, with leaders shaping inclusive cultures. In 2025 we:

- Introduced a module for leaders and line managers to support them with fostering psychological safety and belonging within their teams
- Embedded inclusion governance and principles into organisational design, pay and recruitment, strengthening the quality and consistency of decisions. For example, ahead of pay and GPS reviews, we strengthened line manager training to further build capability in identifying and managing potential bias

Inclusive recruitment

We have taken significant steps to make recruitment more inclusive:

- Embedding inclusive thinking from the outset through cross-functional working
- Training hiring managers on disability and neurodiversity
- Improving role adverts with Textio, ensuring higher inclusive language scores
- Undergoing an audit through Lexxic and driving actions to improve experiences for neurodiverse colleagues
- Working with the talent team to create relevant social content to attract talent from under-represented groups across the UK

Inclusive design in practice

We have embedded inclusion into people processes, policies and propositions:

- People Platform teams apply Inclusion guidance at the start of product design for accessibility and fairness
- Inclusive principles integrated into pay, organisational design, recruitment and learning, with mandatory guidance before completion
- Interlocked with business areas to embed inclusive thinking consistently
- Our policy teams are inclusion champions and we work collaboratively on reviews and new policies

Listening and measuring impact

We continue to listen to colleagues and ensure they feel safe and included. Our Inclusion Index has risen year-on-year to 84% in 2025, showing tangible progress.

Context and commitment

Amid heightened global attention on equity and inclusion, we remain committed to embedding inclusion into every aspect of our business – as we believe that it is a driver of performance, innovation and trust.

2026 will see us reboot inclusion further – under our banner of Inclusive Transformation. Our long-term commitment is to embed inclusion into decision making and actions. It's about building a high-performing culture where inclusion is a habit, not a headline.

From inclusive design and data-driven insight to inclusive behaviours and societal impact, this is about making inclusion the enabler of everything we do, wherever we do it – to create more opportunities and better outcomes for our customers, colleagues and communities.



Building an inclusive organisation continued

Create a more inclusive organisation that is representative of our society continued

→ Gender

We are dedicated to advancing gender equality by strengthening the talent pipeline and driving balanced representation in senior leadership roles.

Advancing gender balance in our leadership team

In 2025 we set a new ambition to reach and maintain a gender balance of between 45-55% in executive roles by the end of 2030^{1,2}. Setting this ambition for our leadership team is important in providing role modelling and inspiration for our colleagues and ensures more inclusive strategic decision making. At the end of 2025, the number of women in executive level roles stands at 40.4%, putting us on track to meet our 2030 ambitions^{1,2}.

Women in executive roles:
(%)

40.4%

45% to 55%

2025

40.4% ▶

● Progress

| 2030 goal range

Link to strategy



¹ Executive roles include UK and international based Grade X colleagues only, excluding those based in the US and subject to local laws and regulations.

² Gender data includes those on parental/maternity leave, absent without leave and long-term sick and excludes contractors, temporary and agency staff. International colleagues are included, except those based in the US, subject to local laws and regulations.

We proudly co-sponsor the government-backed FTSE Women Leaders Review which sets recommendations to increase the representation of women on boards and in leadership. We achieved all of the Review's recommendations in 2023, two years ahead of the deadline. In 2025 we achieved 13th place in the FTSE 100.

In 2025, we actively engaged men to understand their perspectives on inclusion, through workshops and discussions on men's mental and physical health, and an International Men's Day campaign focused on positive male role models. A face-to-face Fatherhood hackathon aimed to address the challenges of working fathers, resulting in tangible solutions including a new "Dad@Work" hub. The outputs, alongside cultural change recommendations and inclusive policies, significantly strengthened parental support for men and visibility across the organisation.

In 2025, our continued commitment has once again been recognised externally, with our inclusion in the Times Top 50 Employers for Gender Equality for the 14th consecutive year.

Supporting women into tech and data

28.6% of our UK tech and data roles are held by women, reflecting broader market trends. As demand for these skills continues to grow, Lloyds Banking Group are committed to improving gender balance in this space. Our award-winning Elevate Programme, which develops leadership capability among women across tech, data and security, continues to be a focus, with over 100 women participating in 2025. We're proud that many participants have seen a positive impact on their careers.

Growing future talent

In 2025, we continued to attract women into our tech and data graduate and apprenticeship programmes, with women making up 46.2% of graduates and 48.7% of apprentices. This progress is vital to building a balanced pipeline for future senior roles and ensuring long-term inclusion in the industry.

By investing in early career pathways, we're helping to shape a more inclusive future for tech and data at Lloyds Banking Group.

Our Breakthrough network

Our Breakthrough network is committed to ensuring a truly gender-inclusive workplace. In 2025, it observed key dates such as International Women's Day and Menopause Awareness Month with a series of events, and refreshed initiatives such as Empower Half Hour: 12 weeks of bite-sized, high-impact development challenges to help women build confidence, strengthen their personal brand, and prepare for career progression.

This year also saw the launch of the Breakthrough Male Allies workstream, encouraging men to actively support inclusion through inclusive leadership, increased participation in equity efforts, and community-building via mentorship and storytelling.

Gender pay gap

Work is continuing towards reducing the gender pay gap with the mean gender gap reducing by 1 percentage point to 24.9% (April 2024 to April 2025). The full gender and ethnicity pay gap report is available in our [sustainability downloads](#) →



Building an inclusive organisation continued

Create a more inclusive organisation that is representative of our society continued

→ Ethnicity

We are committed to building an inclusive society and creating an organisation that reflects the diverse community that we serve.

Increasing representation of colleagues of Black, Asian and Minority Ethnic heritage remains a focus as we continue to make progress in the right direction.

We have now entered into the next chapter of our journey with our 2030 ambitions reflecting both our ongoing transformation and the evolving diversity of society. Based on UK census data and industry benchmarks, we set ranging UK ethnicity ambitions of 3.5-4% for Black heritage and 19-22% for Black, Asian and Minority Ethnic colleagues in executive^{1,2} roles.

Black, Asian and Minority Ethnic representation in executive roles: (%)

17.5%
19% to 22%

2025

17.5% ▶

● Progress

| 2030 goal range

Link to strategy



Black heritage representation in executive roles: (%)

4.3%
3.5% to 4%

2025

4.3% ▶

● Progress

| 2030 goal range

Link to strategy



We continue to exceed the Parker Review recommendation of at least one Black, Asian or Minority Ethnic Board member. For details on Board ethnicity, see page 136 of the [annual report and accounts](#) →

Guided by our commitment to reflect the diverse communities that we serve and our insights based [Race Action Plan](#) → since 2020, we remain focused on driving cultural change, improving recruitment and progression, and supporting Black heritage communities across the UK.

Upskilling colleagues and supporting with career progression

In 2025, in response to the ongoing slow progress towards achieving our Black heritage representation ambitions, we invited all middle managers to senior leader Black heritage colleagues to participate in a Career Conversation, aiming to better understand colleagues' career experiences and goals, sharing the existing support available and helping to create connections, including exploring opportunities for mentorship and sponsorship.

Attracting and recruiting

In 2025, we launched a series of invite only Regional Thought Leadership and Networking events hosted by Group Executive Committee members with the aim of building external communities around our hub locations. The events are focused on professionals who we believe have the skills, insight and experience relevant to our businesses, helping to create a diverse talent pool for today and for the future.

Growing future talent

We welcomed another cohort of Black heritage interns from the 10,000 Interns Foundation, with 21 students joining us in 2025. 140 T-Level students, age 16-19, completed an 11-week paid work placement in our cyber, data, engineering and finance teams. In 2025, 37% of these students were of Black, Asian or Minority Ethnic heritage².

In 2025, we also welcomed new graduates with 45% of Black, Asian or Minority Ethnic heritage and 10% of Black heritage.



Our colleague networks

Our Race, Ethnicity and Cultural Heritage (REACH) network, Black Organisation for Leadership and Development (BOLD) and Faith community groups continue to support colleagues' career ambitions and foster an empowering environment. In 2025, they hosted events and activities to connect Black, Asian and Minority Ethnic colleagues and allies, both virtually and in person.

Our two executive allies reinforce our commitment to ethnicity inclusion at the highest levels, including the Group Executive Committee and Board, demonstrating visible leadership support.

We are committed to listening to our colleagues to better understand their experiences and track progress against our ambitions. Listening sessions are also crucial for us to ensure we understand social issues that impact all of our colleagues and improve how we respond to them.

1 Executive roles include UK-based Grade X colleagues only.

2 All diversity information for ethnicity, disability, sexual orientation and gender identity is based on voluntary self-declaration by colleagues. Our systems do not record diversity data of colleagues who have not declared this information and is for UK payroll only.

External recognition

At the 2025 Ethnicity Awards we were once again recognised as overall 'Outstanding Employer' for the fourth time since the launch of the awards in 2018. This is in recognition of a business which is investing in the ethnicity agenda across various criteria such as capturing diversity data, implementing an action plan, building understanding and supporting development and representation of diverse ethnic groups.

Ethnicity pay gap

Continued progress has been made with the mean gap reducing by 1.3% to 1.7% (April 2024 to April 2025). The full gender and ethnicity Pay Gap report is available in our [sustainability downloads](#) →

Building an inclusive organisation continued

Create a more inclusive organisation that is representative of our society continued

→ Sexual orientation and gender identity

We're committed to creating a more inclusive working environment for our LGBTQ+ colleagues.

We are proud to be recognised as a leading employer in LGBTQ+ inclusion. We continue to enhance the workplace experience for LGBTQ+ colleagues by championing a culture where everyone feels supported, valued, and able to be their authentic selves. We are committed to understanding the challenges LGBTQ+ individuals may face and remain engaged in addressing these through meaningful action and inclusive practices.



Support for colleagues

In 2025, we formally launched an enhanced Employee Assistance Programme (EAP) tailored for LGBTQ+ colleagues and allies – believed to be the first of its kind in the UK offered by any employer and EAP provider. This pioneering service, developed in response to colleague feedback, was piloted in 2024 and is now a permanent offering. Staffed by individuals with lived experience and specialist training, it provides a safe, empathetic space for support, shared experiences, and access to tailored resources.

Sharing best practice

We've continued our series of LGBTQ+ Client Roundtable events, aimed at promoting best practice, uniting organisations around shared themes, and collaboratively exploring the challenges faced by the LGBTQ+ community both within the workplace and in wider society.

In 2025, we hosted a pioneering LGBTQ+ Mental Health Conference, bringing together industry experts, charities, and our external clients and colleagues to promote understanding, share best practice and build connections.

Our Rainbow Network

Our LGBTQ+ colleague network, Rainbow, plays a pivotal role in our approach, and for over ten years has been committed to connecting, developing and supporting colleagues across the Group.

Pride continues to be an all-year round celebration of all sexual orientations and gender identities. Activities peak in the summer with almost 1,000 colleagues and their guests taking part in 27 external Pride events across the UK. Throughout the year, we also honour key moments in the LGBTQ+ calendar, including LGBTQ+ History Month in February and National Coming Out Day in October.

→ Disability and neurodiversity

We aspire to be a best-in-class leader in disability and neuro-inclusion.

Alongside our ambition and guided by our Blueprint for disability and neuro-inclusion, we've committed to making recruitment more inclusive, supporting career development, and improving accessibility in workspaces and technology.

In May 2025 we held a tailored facilitated workshop for all our Talent Acquisition Managers, which tangibly increased their confidence supporting hiring managers and candidates with disabilities and neurodivergent conditions, throughout the recruitment process.

To strengthen our commitment to neuro-inclusion we applied for Lexxic's "Neurodiversity Smart" (ND Smart) accreditation, which evaluates how effectively an organisation supports neurodivergent colleagues. The assessment involved a comprehensive review of our people processes and policies, covering recruitment, performance, wellbeing, workplace design, communications, procurement and customer engagement. We're proud to have achieved Certified status on our very first assessment.

Support for colleagues

We also launched our Group-wide disability and neurodiversity upskill programme. Developed based on colleague feedback, it includes an interactive e-module, a toolkit and workshops for line managers, delivered in partnership with the Business Disability Forum. You can find out more about this initiative on [page 58](#).

In 2025, we expanded the pilot circular mentoring programme for senior leaders and colleagues with disabilities and neurodivergent conditions, aiming to boost understanding and support career progression, with 95 colleagues participating this year.

Our colleague networks

Our Access network supports colleagues with disabilities, long-term health conditions, neurodivergent conditions and allies by raising awareness, providing upskilling, fostering community support and reducing stigma. It includes communities such as neurodiversity and a d/Deaf Culture Club, with an executive ally reinforcing our commitment through visible leadership.

In 2025, Access hosted its second Hackcess event, focused on inclusive recruitment and leveraging the knowledge and lived experiences of over 80 colleagues to improve our workplace through innovative design thinking.

External recognition

We're proud to be an accredited Neurodiversity Smart certified business, the world's first quality mark for neuro-inclusion in the workplace.

In 2025, our Chief Executive Officer for Consumer Relationships was recognised in the global Enable Advocate Role Model list.

As headline sponsor of Naidex, the UK's largest conference for the disabled community, we have introduced the Elevate disabled entrepreneurs pitch competition – the first of its kind.

Inclusive buildings and workplace

We recognise that an inclusive workplace is essential for colleagues to thrive. In 2025, we strengthened design standards to support neurodivergent colleagues and those with accessibility needs. Updates include sensory-friendly environments, varied workspaces, and improved accessibility features in our kitchenettes as well as the provision of Changing Places facilities.

We continue to embed our inclusive design principles, including wider speed gates as well as consistent layouts and signage. Seven major offices have been transformed using these standards with our colleagues at the heart of these changes.

Building an inclusive organisation continued

02 Remove barriers and provide opportunities for our colleagues to thrive

We focus on social mobility and remain committed to removing barriers and providing opportunities for people from all socio-economic backgrounds to reach their potential.

An individual's socio-economic background can significantly shape their career opportunities. Research consistently reveals career progression gaps linked to socio-economic background. For instance, a major analysis found that employees from lower socio-economic backgrounds took, on average, 19% longer to earn promotions than peers from more advantaged backgrounds¹.

Aligned with our purpose of Helping Britain Prosper, our social mobility efforts reflect our commitment to inclusive opportunity and meaningful change. This year we set an ambition to be recognised as a leading UK employer that removes barriers and creates opportunities for individuals



from all socio-economic backgrounds to reach their full potential. This will be achieved by increasing access to meaningful careers for people from lower socio-economic backgrounds and support improved outcomes for pupils from all backgrounds. To strengthen our understanding, we've made it easier for colleagues to share their socio-economic background through our central people system, with an ambition of 70% UK colleague participation. This data is vital to enhancing our inclusive insights. At the end of 2025, 30.6% of colleagues had participated.

Understanding our colleagues

In our 2025 annual colleague survey, 65% of UK colleagues have shared their socio-economic background with us. Notably, 22% of colleagues overall and 21% of our senior colleagues are from low socio-economic backgrounds².

Recognised in the Top 75 Social Mobility Employer Index, debuting at an impressive 40th place, this is an annual benchmarking and assessment tool that measures employer-led social mobility across eight key areas using the latest research and best practice.

We're proud to be named as a finalist in four categories at the 2025 UK Social Mobility Awards; Organisation of the Year, Social Mobility Network, Pre-Recruitment Programme and one of our senior leaders was a finalist of the Champion of the Year.

Our social mobility colleague network

Boost is dedicated to raising awareness and driving education around social mobility, while empowering individuals to thrive, regardless of their starting point in life. Through collaboration with our other colleague networks,

Boost has hosted impactful events, including a Social Mobility in Financial Services session, and supported initiatives like National Mentoring Day. Our two executive allies play a pivotal role in advancing this focus, actively reinforcing our commitment to social mobility at the highest levels, including the Group Executive Committee and the Board and demonstrating visible leadership support.

Supporting the next generation

In 2025, we supported young people in education from primary to further and higher education. Our Youth outreach helped over 100,000 young people develop essential skills and experiences to realise their potential. In 2025, 18% of our summer interns and 23% of our graduate intake told us they are from a lower socio-economic background.

It's been an exciting year in terms of our legal work experience and insights offering as part of PRIME, an alliance of law firms and in-house legal teams across the UK and Republic of Ireland determined to improve access to, and socio-economic diversity within, the legal profession. We've successfully designed and delivered a range of face-to-face and virtual legal work experience and insights programmes to over 3,600 ambitious students.

We launched Project Hope in partnership with NHS West Yorkshire, supporting care-experienced young people. Led by our Consumer Relationship team, we onboarded five care leavers into full-time roles in 2024, and in 2025 this increased by a further 15. We're proud to be a signatory to the Care Leaver Covenant, further deepening our commitment.

¹ Social Mobility Progression Report 2022: Mind the Gap – By KPMG and Bridge Group →

² Based on voluntary declaration by colleagues. UK payroll only.

Purpose in action

Project Hope



SDG 4.4

Increase relevant skills for employment.



SDG 4.6

Achieve literacy and numeracy.



SDG 8.6

By 2020, substantially reduce the proportion of youth not in employment, education or training (NEET).

Link to strategy



Lloyds Bank Academy plays a key role by providing tailored financial, digital and career skills training, delivered during induction and beyond. The Academy helps care leavers build confidence, manage money and develop essential digital capabilities. This support equips care leavers with financial literacy and digital confidence, enabling them to access online services, use workplace tools effectively and build personal financial resilience. It eases their transition into roles at Lloyds Banking Group and helps them thrive professionally and personally.



“

My experience of joining and working for the Group so far has been very good and very smooth. I feel that there has been a lot of support in regard to integrating within the Group. This has given me an opportunity to gain professional experience with a well-established and reputable company. I have also been able to network a lot more in this company than I have before.”

Lorin C
new-joiner

Building an inclusive organisation continued

Remove barriers and provide opportunities for our colleagues to thrive continued

→ Supporting our colleagues

When colleagues can be themselves at work, we unlock our business's full potential. By creating a workplace where everyone is valued and empowered, we drive innovation, fuel sustainable growth and deliver impact for customers, communities and shareholders.

Grow with purpose

Lloyds Banking Group is committed to building inclusive and sustainable futures for people and businesses across the UK, guided by our purpose of Helping Britain Prosper.

This purpose shapes every decision we make, ensuring we deliver positive outcomes for customers, colleagues and communities while driving sustainable growth and returns for shareholders.

Central to this is embedding our values and fostering a culture that empowers colleagues to deliver our ambitious transformation and growth strategy, enabling us to grow existing businesses and create new ones responsibly.

Our leaders are central to cultural renewal. Grow With Purpose, our leadership development programme, drives this effort. In 2023 we focused on organisational shifts; in 2024, on the customer and digital leadership; and in 2025, on reinventing businesses to enable growth and innovation.

The Bank's top 320 leaders were brought together in smaller cohorts and over two days listened to a variety of internal and external speakers on these themes. Further cascade activities will happen in 2026 to embed these learnings into other echelons of leadership.

In driving the change, leaders are supported by a movement of over 7,300 colleagues as 'Catalysts' across the business. Representing more than 10% of our colleague population, these changemakers role-model our values and purpose, share stories and drive improvements by challenging the status quo and unblocking issues that get in the way of how we work.

Our Catalysts inspire everyone across the Group to help us become a truly purpose-driven organisation.

Recognition

Recognition continues to be a cornerstone of our culture at Lloyds Banking Group. It boosts morale, strengthens engagement and fosters a sense of belonging – helping colleagues feel valued and motivated to deliver their best. Since June 2024, we've embarked on a transformation of our recognition approach and this year we've seen 25% of our colleagues nominated for our annual Game Changer Awards, celebrating colleagues who've delivered game-changing outcomes for our customers and lived our values in meaningful ways.

In 2025 we've also introduced a new recognition platform designed to be global, inclusive, accessible and embedded into the flow of work. We initially launched into our Hyderabad office, enabling our colleagues based in India to have access to a recognition platform for the first time, with recognition being sent between UK and India colleagues from November, demonstrating our commitment to inclusive practices across the regions we operate.

We continue to celebrate our game changers. From local BU events to the Group-wide Customer Heroes celebration planned for March 2026, we're continuing to spotlight those who go above and beyond. These stories are not just moments of appreciation – they're powerful examples of the behaviours we want to see across the Group and the impact our colleagues have had on our customers.



Colleague remuneration

We continue to prioritise fairness, progression and certainty for colleagues.

Since March 2022, we have increased the base pay of our colleagues by more than £1 billion, with a clear emphasis on supporting those on the lowest salaries. We have agreed a multi-year pay deal for 2026 and 2027 with our two recognised unions for our junior colleagues. For 2026, there will be a £1,200 pay award (pro-rated) and our minimum starting salary will be £26,200, representing a 4.8% increase. Colleagues can also increase their pay through growing their skills.

The Group continues to be an accredited Living Wage Foundation Employer with current pay rates comfortably above the minimums required for accreditation.

To encourage ownership, colleagues are eligible to participate in our HMRC-approved share plans. We also continued to promote our Healthy Finances Hub and Employee Assistance Programme to enable colleagues to support themselves at key personal moments.

Further information is provided on pages 98 to 133 in our [annual report and accounts](#) →

Pension schemes

98% of our employees participate in the Group pension schemes.

Lloyds Banking Group Pensions Trustees Limited, which is responsible for managing the largest Group pension schemes, has the ambition to reduce the carbon emissions of its approximately £37 billion investments by at least 50% by 2030 and to be net zero by 2050.

As part of this and in response to member feedback, Lloyds Banking Group Pensions Trustees Limited integrated sustainability considerations into its investment strategy, allowing our colleagues in the defined contribution schemes to opt to participate in an ESG-aligned pension investment.



Building an inclusive organisation continued

Remove barriers and provide opportunities for our colleagues to thrive continued

Performance management 'Your Best'

Your Best is the way we enable high performance and continuous development. It helps everyone deliver brilliantly for our customers, communities and colleagues.

At the heart of our performance management approach is a commitment to fostering a culture of high achievement and continuous improvement. We use our Your Best framework to empower colleagues through tailored tools, resources and ongoing support, encouraging them to take ownership of their development and performance. Colleagues set clear performance and development goals aligned with business priorities, supported by ongoing feedback, coaching and regular check-ins to ensure continuous growth and impactful delivery. We integrate wellbeing into performance conversations, ensuring leaders understand what colleagues need to perform sustainably. Where needed, appropriate reasonable adjustments are made to support colleagues to be at their best.

Our focus is on driving high performance year-on-year, enabling individuals to deliver exceptional outcomes for our customers and communities. By refining our processes and guidance, we're building teams that not only strive for excellence but drive meaningful business growth and positive impact across the Group.



Colleague engagement

In 2025, we strengthened how we listen to colleagues by introducing six surveys and reinstating joiner and leaver surveys, creating a continuous view of sentiment across the colleague lifecycle. With over 64,000 colleagues¹, this approach ensures timely insights across roles and locations.

Our annual MyVoice survey achieved a record 85% completion and generated more than 200,000 comments, providing rich, actionable feedback. Combined with pulse surveys and lifecycle data, these insights give leaders a granular understanding of engagement drivers and enable practical changes that make the greatest impact.

Results this year show robust improvements across themes, including our Employee Engagement Index (up four percentage points to 75%) and employee Net Promoter Score (up 15 points to +23). Taken together, these outcomes indicate we are in a strong position to continue to progress our transformation, with clearer insight to guide action at Group, function and team levels.

We run quarterly Board listening sessions to connect the Board with colleagues across the Group through direct conversations on cultural and operational topics. We continue to share feedback promptly, support leaders to act on insights, and embed colleague voice into strategic decision making.

During the year, the Group communicated directly with colleagues on performance, economic and regulatory changes, and key strategic initiatives. Meetings were also held with recognised unions. Stakeholder engagement at all levels is central to delivering our purpose of Helping Britain Prosper.

The Board engages directly and indirectly with stakeholders to better understand colleagues' perspectives and the Group's impact on their daily lives.

Please see our [annual report and accounts](#) → on page 76, for additional information on how the Board engages with the workforce.

¹ Based on average headcount figures for 2025.

Freedom of association and collective bargaining

We support our colleagues' right to exercise freedom of association and have extensive colleague voice, consultation and collective bargaining processes in place.

We continue to collectively consult and negotiate with two trade unions on behalf of our UK workforce at grades A-C. In 2025 we introduced three new colleague Forums – the People Forum, People Consultation Forum and Management Advisory Forum – designed to increase colleague voice at grades D-G where trade union membership is low. We collectively consult with the People Consultation Forum on matters impacting colleagues at grades D-G.

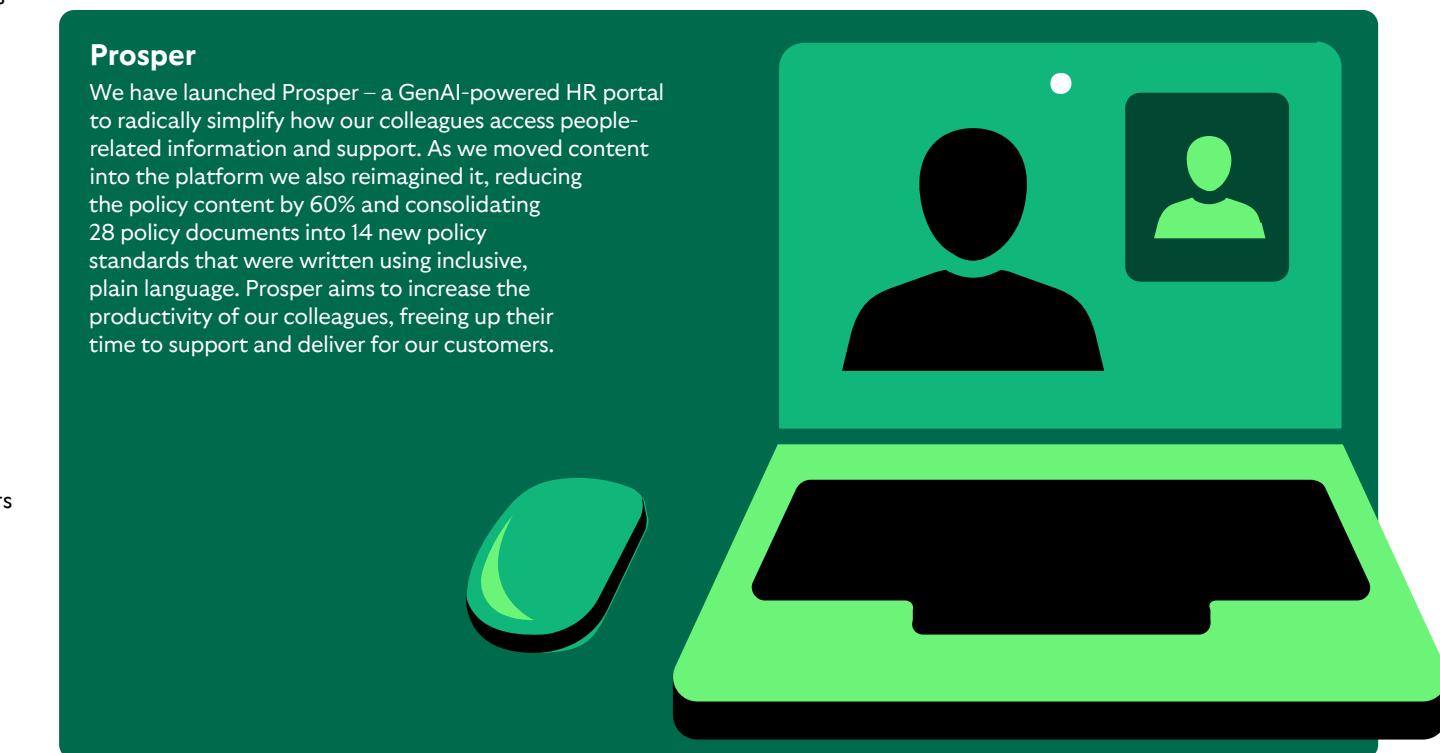
Dealbreakers

In 2025 we've embedded our 'Dealbreakers' which sit alongside our Values to clarify the behaviours we won't tolerate. They are integrated into onboarding, key learning and colleague communications, reinforcing accountability and transparency across the Group.



Prosper

We have launched Prosper – a GenAI-powered HR portal to radically simplify how our colleagues access people-related information and support. As we moved content into the platform we also reimagined it, reducing the policy content by 60% and consolidating 28 policy documents into 14 new policy standards that were written using inclusive, plain language. Prosper aims to increase the productivity of our colleagues, freeing up their time to support and deliver for our customers.



Building an inclusive organisation continued

03 Support the health, safety and wellbeing of our colleagues

The health, safety and wellbeing of our colleagues is a key priority for the Group. We take a risk-led approach, guided by data insights and our organisational values, and informed by emerging trends to invest in a high-performance, human-centred culture.

Our model: Four integrated pillars

We actively listen to colleagues through focus groups and surveys, review internal data, and draw insights from our wellbeing services to ensure we design propositions that meet the mental health and wellbeing needs of colleagues. These insights shape a flexible framework built on four pillars:

1. Embedding wellbeing into everyday workflows
2. Strengthening proactive wellbeing support
3. Optimising clinical and specialist services
4. Data-driven decision making

Our wellbeing advocates – now over 1,700 strong – form a vibrant network championing health and wellbeing. Their whole-person focus recognises the link between mental and physical health. Feedback from advocates shapes campaigns to meet diverse workforce needs and tailor delivery locally for impact. We amplify this through targeted communications, authentic stories, and Group-wide training. In 2025, all colleagues completed our mandatory mental health and wellbeing module, 'Looking after Yourself and Others'. As we enter 2026, we're refreshing our suicide awareness training.



Pushing mental health boundaries with clinical support

Mental health is central to our wellbeing strategy, focused on prevention, support and recovery for everyday challenges and clinically diagnosed conditions. We work to break stigma by fostering psychological safety and encouraging open conversations, so colleagues feel confident seeking help and supporting others.

In 2025, we co-created a market-leading LGBTQ+ mental health support service with our EAP provider, pairing colleagues with counsellors who share lived experience for greater empathy and understanding. We also launched a platform to advance mental health dialogue for LGBTQ+ colleagues, bringing together partners and charities to share insights and practical strategies for safer, more inclusive workplaces.

Our commitment has been recognised through accreditation by the Mind Forward Alliance against its Thriving at Work Assessment. We achieved the highest standard, being rated as 'Health Creating' in 2025.

Accessible support

We believe wellbeing support should be easy to access, inclusive, and available whenever needed. That's why we invest in market-leading services offering practical tools and expert help for everyday challenges or complex health needs. From mindfulness resources to confidential counselling and enhanced medical benefits, our approach ensures comprehensive, tailored support.

Our partnership with Headspace provides free guided meditation and wellbeing content for colleagues and their families. Uptake continues to grow, with over 28,500 colleagues and 3,000 family members registered, building resilience and reducing stress.

For personalised assistance, our EAP offers 24/7 confidential support on mental health, legal and financial wellbeing, handling around 478 calls and 335 counselling sessions monthly.

We also prioritise clinical care. In 2018, we increased mental health cover under our Private Medical Benefit to £50,000, creating parity with physical health. Utilisation data in 2025 confirms its value, and we've enhanced this benefit by adding neurodiversity diagnostics, with further expansions planned for 2026.

Supporting life stages and complex challenges

Life doesn't stand still – and neither do the challenges our colleagues face. We know wellbeing is shaped by personal circumstances, so we offer support beyond the workplace. From fertility journeys to menopause, and from domestic abuse to homelessness, our approach combines empathy with practical help.

In 2024, we became the first UK bank recognised as a Fertility Friendly Employer by Fertility Matters. In 2025, we were named Family Friendly Employer of the Year and won Best Benefits to Support Reproductive Health. Our menopause accreditation reinforces this commitment, with tailored training and medical support through Bupa.

We also take a stand on issues affecting safety and wellbeing. Working with charities such as Surviving Economic Abuse, Tender and EIDA, we provide guidance, awareness campaigns and direct assistance. Our Emergency Assistance Programme offers safe accommodation, one-to-one support, and privacy measures. In 2025, we ran our 16 Days of Action campaign and partnered with Women's Aid and Police Scotland to raise awareness.

Recognising links between homelessness and mental health, we extended support for colleagues facing housing insecurity, offering flexibility, paid leave and specialist signposting. Beyond internal support, we share expertise externally, contributing to the Manchester Gender Based Violence Board and hosting an EIDA Advisory Council meeting with senior policymakers.

Colleague safety

At Lloyds Banking Group, we are committed to the Health and Safety of our colleagues and customers. This commitment is reflected in our recent achievement.

The Group is proud to have earned the RoSPA Gold Award for our Branch Network and the Silver Award for our Head Office Locations.

The RoSPA Awards recognise organisations who have set the highest standards in accident prevention and commitment to health and safety sector-wide.

By earning a RoSPA Award, organisations not only receive recognition for their accomplishments but also become part of a legacy that values dedication to high safety standards and commitment to excellence.



Building an inclusive organisation continued

04 Provide the appropriate technology, tools and skills for our colleagues to thrive



Evolving skills for a sustainable future

In 2025, we continue to build on our commitment to colleague learning and development, with a strategic focus on reskilling, digital transformation and the cultivation of critical people skills. Our approach is shaped by the successes and lessons of 2024, as we expand pathways, use technology to empower colleagues, and foster an inclusive, adaptable workforce which is fit for the future.

Reskilling our colleagues

Reskilling remains central to our talent strategy. In 2025, we launched four new self-paced pathways across Data Management, Cyber, Engineering and Economic Crime Prevention, enabling colleagues to build future-focused skills and prepare for emerging roles. So far this year, over 1,750 colleagues have enrolled. Upon completion, they can apply for a Skill Boost Programme, an externally recognised certification to support career growth. Our aim is to make reskilling accessible to all, empowering individuals to take ownership of their development while enhancing workforce agility. This approach supports both personal progression and organisational resilience in a rapidly evolving environment.

Harnessing AI to future-proof learning and skills development

In 2025, Lloyds Banking Group took a bold step forward in embedding artificial intelligence across our learning ecosystem. We launched the Copilot Academy, a Group-wide initiative designed to empower colleagues to engage with AI responsibly and confidently. Building on this momentum, 2026 will see the introduction of a broader AI Academy, expanding access to cutting-edge learning pathways and fostering digital fluency at scale. We've also invested in the Cambridge Spark programme, equipping our senior leaders in AI technology as well as helping them to identify opportunities and use cases.

As part of our continuous innovation cycle, we've invested in multiple AI proofs-of-concept aimed at supercharging skills development. In 2026, we will launch Agentic AI solutions, including a skills agent and immersive practice simulators that offer personalised, real-time support. These tools will help colleagues identify learning opportunities, build confidence, and develop critical capabilities for the future of work.

The integration of AI and machine learning is not just a technological upgrade – it's a strategic enabler. It ensures our workforce remains agile, skilled, and ready to thrive in a rapidly changing world.

Academies: elevating learning in 2025

Building on the strong foundation laid in 2024, academies have become a central pillar of our learning strategy. In 2025, we took this to the next level, working with Group Executive Committee members to refine our skills priorities, introducing richer learning pathways, and embedding enhanced analytics to give clearer insights into colleagues' progress and impact. These enhancements have transformed the experience, making learning more personalised to colleagues' roles, as well as being more engaging, and measurable. Usage continues to increase, with approximately 10,000 colleagues accessing academies each month, reflecting the increasing demand and value of these resources to support development. We've also run focused campaigns which tens of thousands of colleagues have engaged with to build their future skills, such as our Data & AI Summer School, Surf the Skill Wave, and a Customer Care Academy live initiative during National Customer Service Week.

Smarter learning: using analytics and AI to deliver business outcomes

Our learning and skills partners are empowered by a comprehensive suite of reports and interactive dashboards, enabling performance consultancy across the organisation. By embedding analytics into our learning ecosystem, we enable leaders to make evidence-based decisions that accelerate skills growth and deliver measurable business outcomes. We've invested heavily in developing learning content aligned to critical skills, working in partnership with business areas and fully evaluating solutions to ensure they deliver the required outcomes, intercepting if they don't.

AI is now actively shaping how we design and deliver learning. By integrating AI into content development, we've accelerated the creation of high-quality, relevant learning, enabling faster deployment and greater responsiveness to evolving skills gaps.

This is me: championing diversity and neuro-inclusion

"This is Me" is an e-learning solution which empowers colleagues and leaders to champion diversity and neuro-inclusion through open dialogue, practical training and accessible tools. With the course completed by over 54,000 colleagues, it's reshaping workplace culture, reducing stigma, and driving inclusive leadership. Its success earned Lloyds Banking Group global recognition, including the 2025 Davos Impact Award. Over 90% of colleagues who completed a post course evaluation survey felt highly confident in their understanding of disability and neuro-inclusion. To be best-in-class in this space, we knew we could go even further – so we rolled it out externally for everyone to benefit. Almost 2,000 people accessed the public version of this training in 2025. For the first time, we incorporated features such as an inbuilt text reader, zoom functionality, a British Sign Language interpreter and audio narration.

Commitment to workforce sustainability

Our learning and development strategy directly supports the Group's sustainability commitments. We believe that by reskilling colleagues, embracing digital transformation and fostering inclusive people skills, we are building a sustainable, future-ready workforce. Our ongoing investment in academies, AI and technology ensures that colleagues are equipped to thrive in an ever-evolving environment, benefitting customers, colleagues and communities alike.

Building an inclusive organisation continued

Provide the appropriate technology, tools, and skills for our colleagues to thrive continued

→ Early Careers and Employee Value Proposition (EVP)

Our Next Generation talent programmes play a vital role in driving social mobility, diverse pipelines, and offering accessible skills-based career pathways. These initiatives are supported by our refreshed EVP, 'Faster Forward' and a new Employer Brand helping us attract the diverse talent we need to transform at pace.

Apprenticeships

Through our award-winning programmes, we continue to extend and enhance our apprenticeship delivery, currently offering apprenticeships in over 30 occupational roles from Level 2 (GCSE equivalent) to Level 7 (Master's Degree equivalent). We typically have around 1,300 colleagues undertaking an apprenticeship at any time, and we are on track to start over 600 apprentices in 2026. Our recruitment continues to support diversity; in 2025, 26% of apprentices are from a Black, Asian or Minority Ethnic heritage and 49% are women. Using parental occupation at age 14 as an indicator, 20% of offers in 2025 have been made to candidates from lower socio-economic backgrounds. We are proud to be ranked 11th in the Top 100 Apprentice Employers ranking.

T Levels

We first provided T Level placements in 2022 and have grown the offering year-on-year. In 2025 we have hosted 140 placements and have scaled our offering in our Community Bank increasing our reach across England. The placements give the students a head start in their careers enabling them to be work-ready, build relevant skills and grow in confidence. The majority of students come from economically disadvantaged

backgrounds. T Levels can also provide a pipeline into apprenticeship schemes – 50% of our 2024 placement students have completed their qualification and have now started an apprenticeship with us in 2025. We were proud to have won the inaugural T Level Employer of the Year award.

Graduates

Our 2025 intake brings 364 graduates into all major business areas. Graduates typically join on a two-year rotational programme, with some extending to three or four years. Technology is at the heart of our offer, with 57% of graduates hired into roles focused on technology engineering, data science and AI, and data management, supported by initiatives such as our Data and AI Summer School and tools like CoPilot. Diversity remains a priority, over 45% of our 2025 intake are from Black, Asian and Ethnic Minority backgrounds. We're proud to be ranked 11th in the Times Top 100 Employers List. With 95% of graduates staying after one year and 79% after three years, our programmes are creating a strong pipeline of future talent for the Group.

Work experience programmes

The Group coordinates various work experience programmes for school children to engage with the Group. Over 2025, the programme has achieved the following:

- **Skillsbuilder:** Delivered essential skills sessions to over 9,000 students aged 6 to 19
- **Work experience:** Provided virtual, hybrid and on-campus opportunities for students aged 14 and above, totalling 15,000 placements
- **Careers fairs, talks and outreach:** Reached a total audience of 64,000 students to date
- **Skillsbuilder Accelerator:** attended by 20,000 students

We continue to innovate through our Skills Fest and Lloyds Careers Live programmes, creating greater reach to more people and ensuring they are learning the skills to succeed in an ever-changing skills landscape.

Internships

Our internship programme remains central to our inclusive talent strategy. Through partnerships with the 10K Interns Foundation and Sutton Trust, we've created meaningful pathways for underrepresented talent while embedding sustainability principles across programme design.

In 2025, we welcomed 194 interns and industrial placement students both directly and through partnerships such as 10,000 Interns Foundation & Sutton Trust. Looking ahead to 2026, we're enhancing pre-application and employability support to increase representation. We're also building a sustainable talent pipeline through regional hiring, reducing environmental footprint, and creating long-term career pathways. Through our partnerships with Zero Gravity and Code First Girls, Lloyds Banking Group has made significant strides in driving social mobility and gender diversity in tech.

EVP

Continuing to hire diverse talent into the Group is critical in order for us to transform, so never has it been more important that we have an EVP and Employer Brand that is truly reflective of the Group and what it is like to work here.

With that in mind, earlier this year we launched our new EVP 'Faster Forward'. Created to be adaptable and resonate with our diverse audiences and key archetype groups including youth, it was developed through extensive internal and external research. Our new EVP allowed us to set out a clear colleague deal, shaping what we expect from our colleagues when they join us, and what they get in return.

From our EVP, a new Employer Brand was developed aligning to the Group brand refresh. This gives us a new and exciting visual identity and tone of voice that is already having a huge impact through use in targeted inclusion campaigns and will continue to do so as we move forward in attracting the diverse talent we need to transform at pace. Our brand shift has been fed through externally to our social media presence, our careers site and widely across our recruitment campaigns, resulting in positive results across key metrics.

37%

of T Level Students are of Black, Asian and Minority Ethnic heritage

746

new apprentices in 2025

50%

of T Level students returned to the Group as apprentices in 2025





Supporting the UK's transition

We are Helping Britain Prosper by supporting the transition to a low carbon-economy.

As a diversified financial services group, our transition plan sets out how we are positioning the business to respond to the growth opportunities and challenges of transitioning to a low carbon economy, while continuing to deliver resilient financial performance.

By integrating transition considerations into strategy, governance and capital allocation, we aim to strengthen the resilience of our portfolios and operations, prioritising commercial opportunities and enhancing value creation for shareholders.

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Sustainable Development Goals



 See our full reporting suite on the sustainability page of our website.



Supporting the UK's transition continued

→ Pillar objectives, highlights and impact

We are committed to supporting the UK's transition, identifying profitable solutions to building a more inclusive and sustainable UK society – shaping finance as a force for good.



Objectives

Enable growth through financing the transition and sustainable markets

See page → 65

Highlight

£21.9bn

of sustainable finance supported in 2025



Our impact

£81.3bn

of discretionary investments in climate-aware strategies

Linked to strategy

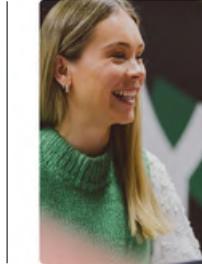
 **Grow**

Strengthen the Group's climate and nature risk and resilience management

See page → 63



Assessed impacts and dependencies for Bank Agriculture and Commercial Real Estate sectors, and completed a TNFD-aligned LEAP assessment of our own property portfolio



We plan to support the Aire Resilience Company benefitting the water catchment and improving the resilience of our Leeds office locations

 **Focus**

Contribute to national decarbonisation goals, supporting energy security and the resilience of the UK

See page → 84

£633m

debt commitment towards Sizewell C nuclear power station

1 in 8

electric vehicles on UK roads financed by the Group

 **Grow**

Integrate social and environmental considerations in the delivery of our transition plan

See page → 65

£70.9bn

of sustainable financing since 2022



Launched

Scottish Widows lifetime investments, our ESG-tilted default workplace proposition



 **Grow**

Supporting the UK's transition continued

→ Transition plan

We have continued to develop our transition plan, seeking to build an integrated approach that supports economic growth through our products, services and investments – supporting our customers, clients and the broader economy to transition.



Supporting the economy to transition...

Own operations ambition

In our own operations we aim to achieve net zero carbon operations by 2030¹ supported by underlying pledges across our own operations.

Supply chain ambition

Working with our suppliers to reduce the emissions generated by 50% by 2030² from our demand for goods and services, on the path to net zero by 2050 or sooner.

Bank ambition

Working with customers, government and the market to help reduce the carbon emissions we finance by more than 50% by 2030³ on the path to net zero by 2050 or sooner.

Scottish Widows ambition

Achieving net zero emissions across our investment portfolio by 2050⁴, with the interim target of halving our carbon footprint by 2030.

Climate-nature-people impacts

Financing opportunities for our clients and customers

Risk insights and scenario analysis

Systems-based thinking

Foundations of our approach

Products and propositions

Partnerships and collaborations

Engagement strategy

Frameworks

Our actions to deliver

Monitoring performance against our own operations ambition and pledges (see **pages 67 and 70**)

Monitoring performance against our supply chain ambition and the Group's supplier sustainability standards (see **pages 71 and 74**)

Monitoring performance against our Bank ambition, sector targets and sustainable financing (see **pages 75 and 110**)

Monitoring performance against our Scottish Widows ambition and discretionary investment in climate-aware strategies (see **pages 111 and 118**)

How we track progress

while delivering growth and building balance sheet resilience



Supporting the UK's transition continued

→ Our environmental strategy

Within a global transition, and as one of the UK's largest financial services providers, our environmental strategy aims to actively support economic growth whilst strengthening our balance sheet resilience.

Supporting our customers, investees, clients and the broader economy to transition aligns to our purpose of Helping Britain Prosper through sustainable and inclusive growth, with the UK's green economy estimated to be made up of over 22,000 businesses, supporting almost one million jobs¹.

Although it is widely acknowledged that the current pace of the transition remains insufficient and further action is required from all stakeholders, some progress is evident. For instance, the UK's green economy expanded by over 10% in 2024, with the Group's breadth and scale making it well positioned to finance the transition.¹

Transitioning the economy is complex, involving interconnected sectors and associated economic systems. It also requires considering climate objectives, with nature considerations and social impacts linked to a just transition, which we are increasingly exploring in order to leverage synergies and manage trade-offs.



Our engagement with clients on Client Transition Plans, investees through our stewardship approach and with our suppliers helps us to understand what this means in reality for them and the wider economy.

We use a systems-led approach that enables the Group to identify and prioritise the most material risks, opportunities and dependencies, and determine the actions needed to drive meaningful impact and progress. In 2025 this included TNFD LEAP aligned assessments given the critical role nature plays in supporting the transition. While some dependencies identified may challenge our ability to transition in line with global and UK climate and nature goals, and can influence how effectively we meet our own ambitions and targets, they cannot become a barrier to action.

Our aim is to be a constructive partner in the transition, supporting the many benefits such as regional growth, job creation and re-skilling, warmer homes, energy security and cleaner air. The cost of inaction is too high, with rising building operating expenses, escalating transition-related economic costs from delayed transition, increasing impacts from extreme weather and the degradation of nature.

Our actions include using our financial services and products, such as lending, investments and capital allocation or advisory services, to support the transition. We also leverage partnerships and collaborations with expert organisations, and engage with industry, policymakers and regulators to understand shared challenges, identify solutions and drive real economy change.

Through 2025, we refined our transition plan to focus on the actions that will most effectively advance our ambitions, recognising this will remain an ongoing process as the external environment and our dependencies evolve. Our frameworks such as our investment exclusions policy and ESG Credit tools continue to support risk management and are integral for our strategy and long-term success and resilience.

¹ [The Future Is Green: The economic opportunities brought by the UK's net zero economy](#) →

Our integrated approach

We apply an integrated climate-, nature- and people-centred approach to transition planning, enabling us to manage interconnected risks and opportunities while maximising synergies.

Because nature underpins economic and social wellbeing, ecosystem degradation creates systemic risks for all sectors. Strengthening and restoring natural systems enhances resilience and delivers co-benefits such as carbon sequestration, while effective climate action can also support healthier ecosystems and stronger local communities.

This integrated approach ensures our response is both immediate and forward-looking, contributing to

long-term value for society, the environment and our business.

We continue to understand and act on nature-related risks and opportunities in line with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). In 2025, we built on our materiality assessments by completing a TNFD LEAP aligned proof of concept pilot for our Commercial & Residential Real Estate ([page 92](#)) and Agriculture lending portfolios ([page 108](#)) and completed a LEAP assessment for our operational sites using the Earth Blox platform. This work has improved our understanding of how our clients interact with the natural environment and how their activity, and our own operations, both impact and depend on nature.

Building on these insights we piloted a framework across these two portfolios that considers the nature-related impacts and dependencies of our climate activity, supporting an integrated approach to climate and nature within transition planning (see [page 85](#)).

We recognise just transition and adaptation considerations will manifest differently across systems and where they intersect. We continue to deepen our understanding through systems analysis to support people-centred outcomes, and continue to embed these considerations into our climate target setting approach.

Environmental Markets



Environmental Markets are a powerful mechanism that aligns economic activity and commercial outcomes with environmental stewardship. We acknowledge that they can be a tool to support the transition when utilised appropriately and to rigorous standards, delivering significant environmental, social and commercial value that can also support adaptation and resilience, both here in the UK and globally.

We are seeing an increasing number of environmental markets emerge including voluntary biodiversity and water quality markets alongside compliance markets such as the UK's Biodiversity Net Gain market.

Within this market expansion, carbon markets remain the most established, where both nature-based and technology-based projects support business to address ongoing and

residual emissions, whilst also driving co-benefits alongside mitigation efforts.

You can read our own approach to carbon offsetting in our Carbon Offsetting Principles and our use of carbon credits in 2025 in our Sustainability metrics datasheet available in our [sustainability downloads](#) →

In 2025, our Commercial Bank set up a Voluntary Carbon and Nature Markets team to support clients to navigate this space, and provide the financial products and propositions to enable them to do so (see [page 83](#)).

Further, Scottish Widows is considering potential nature-related financing opportunities in private capital markets that can mitigate risks, provide new revenue streams and increase resilience. To read more about Scottish Widows Transition Plan see [page 112](#).

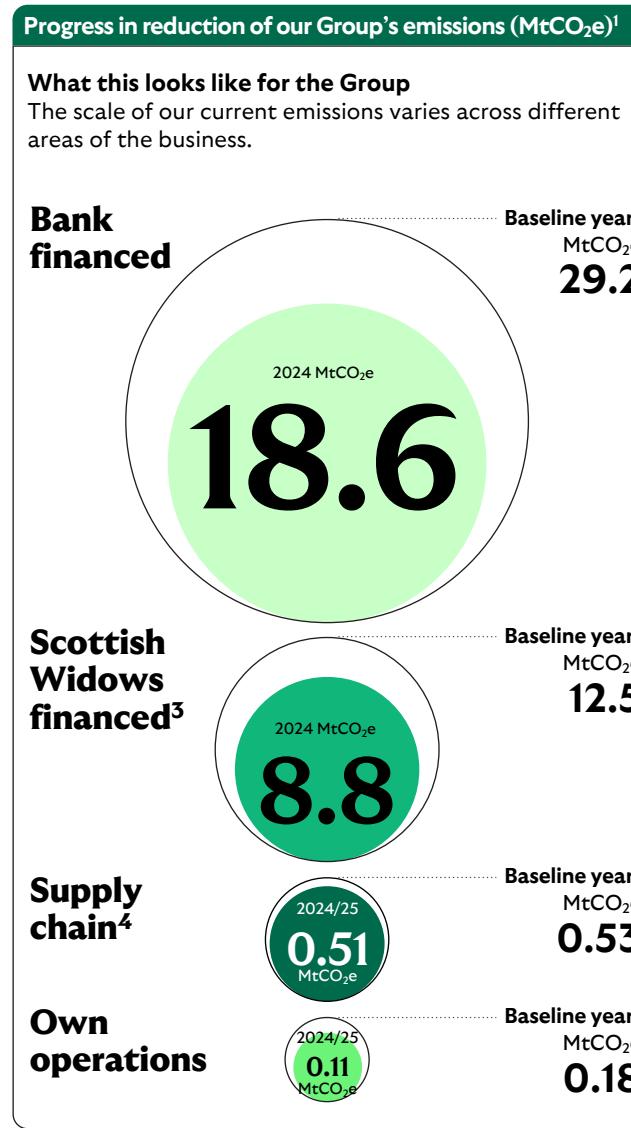
Supporting the UK's transition continued

→ Our emissions reduction ambition

We remain committed to supporting clients and the wider economy through the transition, having set clear ambitions across our operations, supply chain, lending and investments to decarbonise.

While we continue to make progress on our ambitions, there are significant challenges and external dependencies in many areas of the economy, including the technologies, solutions and policies required, that will need to be addressed for us to achieve these ambitions. See [pages 67 to 118](#).

Our approach to supporting the UK's transition will continue to evolve to reflect regulatory, policy and technological developments, ensuring we maintain support for an orderly and socially responsible transition in alignment with UK government policy.



¹ Based on 2024 data available for Bank and Scottish Widows financed emissions scope 1 and 2 emissions only. 2024/25 period end data for supply chain emissions and own operations includes scope 1, 2 and 3 categories and is reported on a market basis.

² Baseline year determined by ambition (2018 for Bank, 2019 for Scottish Widows, 2021/22 for Supply Chain and 2018/19 for Own Ops) MtCO₂e – Megatonnes Carbon Dioxide equivalents.

³ Scottish Widows ambition is intensity based for details on progress see [page 112](#). The amount assured by Deloitte as part of their limited assurance work is 8.72MtCO₂e. The difference to the amount shown in the diagram is due to rounding differences.

⁴ Supply chain emissions are calculated from supplier spend totalling £4.4 billion (net of VAT). In addition there is a further c.£5.7 billion gross spend spread across other business areas which are not included.

For details on our methodology please see [sustainability metrics basis of reporting](#) →

In 2024, we obtained ISAE 3000 (revised) limited assurance that the selected 2030 ambitions, targets and pledges below, align with the temperature goal of Article 2(1)a of the Paris Agreement which states the objective as “holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change”:

- Own operations
- Supply chain
- Bank financed emissions
- Bank sector financed emissions (for UK residential mortgages, commercial and residential real estate, agriculture, power, oil and gas, aviation, auto OEM, road passenger transport, retail motor cars and retail motor light commercial vehicles (LCVs))
- Scottish Widows carbon footprint

The limited assurance included assessment that the above noted ambitions and targets had been set at a level of emissions or emissions intensity reduction that is equal to or greater than the reduction required using the Paris-aligned scenarios and science-aligned methodologies as described in our sustainability metrics basis of reporting 2024.

In 2025, the Climate Change Committee (CCC) published the Seventh Carbon Budget which updated the emission reductions required to ensure the UK is on the pathway to net zero by 2050. During 2025, we have updated our UK focused Bank financed emissions sector targets previously set using the CCC's Sixth Carbon Budget. These include targets for UK residential mortgages, commercial and residential real estate, agriculture, road passenger transport and retail motor cars and LCVs. We have not sought updated assurance on the revised targets since we used the same target setting approach as when the targets were originally set.

Our Bank financed emission progress

MtCO₂e reduction (%)



Progress on our Bank ambition

Our Bank ambition is to work with customers, government and the market to help to reduce the carbon emissions we finance by more than 50% by 2030 on the path to net zero by 2050 or sooner. Our 2024 progress shows a 36% reduction in our Bank financed emissions from our 2018 baseline.

Our net zero ambition was set in 2020, and informed by the UK CCC's assessment of UK sectoral emissions reductions pathways. While we have made progress to date, achieving this ambition depends on how quickly the underlying sectors transition given the challenges and external dependencies that exist in many areas of the economy. These challenges and dependencies are related to policy and regulatory support, market readiness and public awareness, technology availability and infrastructure, supply chains and workforce skills, and grid decarbonisation. We explain specific dependencies by system in our transition plan (see [pages 84 to 110](#)).

We remain committed to supporting clients and the wider economy through this transition. The ongoing variability of dependencies, including those noted above, will influence the outcomes and our performance.

Supporting the UK's transition continued



Sustainable finance and investment

We have established sustainable finance and investment targets aligned to our core business areas.

Our financing and investment target periods align to the Group's strategic and performance management timelines and will develop to support our 2030 ambitions and beyond to 2050. Sustainable finance and investment are key mechanisms to support the transition and reduce emissions. However, achieving our net zero transition targets and ambitions requires globally coordinated action across financial service providers, corporates, government agencies and regulators.

Since 2022 our cumulative sustainable financing is £70.9 billion covering our Commercial Banking, Motor and Mortgages businesses. Our active targets for these areas are £30 billion sustainable finance for Commercial Banking customers by the end of 2026, £10 billion of financing for EVs by the end of 2027 and £11 billion of mortgage lending for EPC A and B rated properties by the end of 2027.

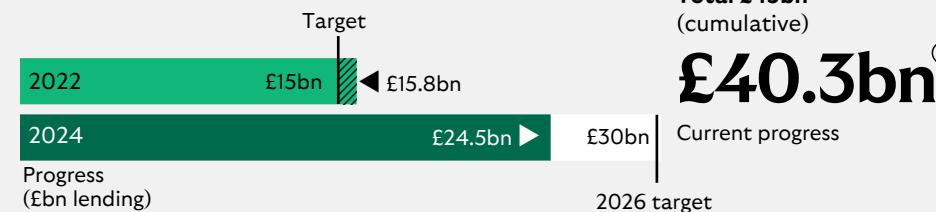
We achieved our original target to invest in climate-aware strategies at the end of 2024. At year end 2025 we have £81.3 billion invested in climate-aware strategies. This is a significant rise from prior period, driven by the launch of our new workplace proposition, Scottish Widows Lifetime Investment, which includes a higher proportion of climate-aware ESG-tilted investment strategies.

Our Sustainable Financing Framework has continued to evolve to provide greater clarity on what the Group considers to be eligible types of sustainable finance covering the Group's Retail and Commercial Banking financing. Sustainable finance and investment targets continue to be part of our LTIP assessment as set out on page 122 of the [annual report and accounts](#) →

Our sustainable finance and investment

Group-wide sustainable finance

Commercial Banking^{1,2}



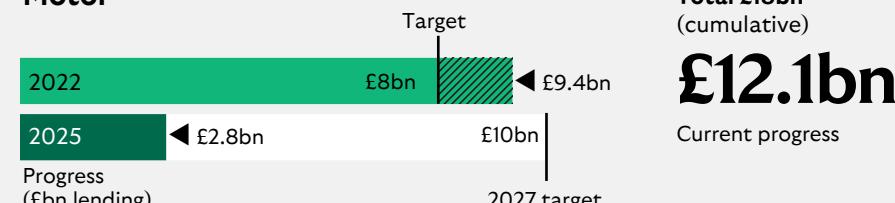
A breakdown of our sustainable financing is shown below:

Type (£bn)	2025	2024-2025
Bonds	2.3	5.9
Lending – use of proceeds ³	6.4	8.5
Sustainable Business Financing	1.7	3.2
Sustainability-Linked Loans	3.4	6.9
Total	13.8	24.5

Mortgages^{1,4}



Motor^{1,5}



Total sustainable finance achieved since 2022

£70.9bn*

Discretionary investment in climate-aware strategies

Scottish Widows⁶

Total discretionary investment in climate-aware strategies

£81.3bn*

Key

● Performance against previous target ● Performance against current target ○ Target outperformance — Target

For methodology please see the sustainability metrics basis of reporting which is available in our [sustainability downloads](#) →

① Indicator is subject to limited assurance by Deloitte LLP for further details see [page 02](#).

1 As defined within the Sustainable Financing Framework available in our [sustainability downloads](#) →
2 The new Commercial Banking target (1 January 2024 onwards) relates to both Corporate and Institutional Banking customers and Business and Commercial Banking customers. From 1 January 2022 to 31 December 2023 the target applied to corporate and institutional customers only, and was measured against the criteria set out in the 2023 Sustainable Financing Framework.

3 Includes £0.6bn lending to SMEs located in the most socio-economically disadvantaged areas in the UK and to female-led businesses, both of which form part of the social eligibility criteria, included for the first time in 2025.

4 New mortgage lending on UK (excluding Channel Islands) residential property that meets an EPC rating of B or higher. The target includes remortgages but excludes further advances. £18.5 billion covers the period from January 2022 to September 2025. £5.3 billion was achieved from 1 January 2025 to 30 September 2025. There are rounding differences between the cumulative total and the individual target positions.

5 From 1 January 2025 the new target includes new lending advances and operating leases for EVs; includes cars and vans. From 1 January 2022 to 31 December 2024 the target covered EVs and plug-in hybrid vehicles new lending advances for Black Horse and operating leases for Lex Autolease (gross) and operating leases for Tusker (gross, post-acquisition by the Group (February 2023)); includes cars and vans. There are rounding differences between the cumulative total and the individual target positions.

6 This refers to funds that have a focus on investment in companies that are either adapting their business to reduce carbon emissions or developing solutions to address climate change.

Supporting the UK's transition continued

→ Our actions to deliver

We recognise that ambition alone won't support the transition or deliver on our purpose of Helping Britain Prosper. We need a delivery plan along with measures to track our progress.

Our Group climate transition plan sets out the steps we'll take to reduce emissions to net zero for our operations, supply chain and Bank financed emissions as part of our strategy. Our transition plan is governed under the same structure and financial planning process as our wider environmental sustainability strategy.

We know that as much as we can achieve through our own activity, we cannot achieve our ambitions alone. Transitioning to net zero is a universal endeavour and will depend on key players collaborating such as government, industry and wider society acting together to deliver net zero, alongside significant technology advancements in high-emitting sectors.

For further information on our memberships see our [sustainability downloads](#) →

¹ Our sector targets are set in line with the Target Setting Guidance produced by the NZBA and now available for voluntary use through UN Environment Programme Finance Initiative (UNEP FI). See page 09 of [sustainability metrics basis of reporting](#) for further details.

Key

- External partnerships and memberships
- Our ambitions, targets and pledges
- Achieved
- Next steps

2020

- Joined Partnership for Carbon Accounting Financials (PCAF) and we are also a member of the regional group PCAF UK
- Joined Aldersgate Group

2021

- Announced travel emissions pledge

2022

- Founding member of the Net-Zero Banking Alliance (NZBA)
- Became member of Glasgow Financial Alliance for Net Zero
- Launch of Scottish Widows Climate Action Plan
- Launched Scottish Widows discretionary investment in climate-aware strategies target



2024

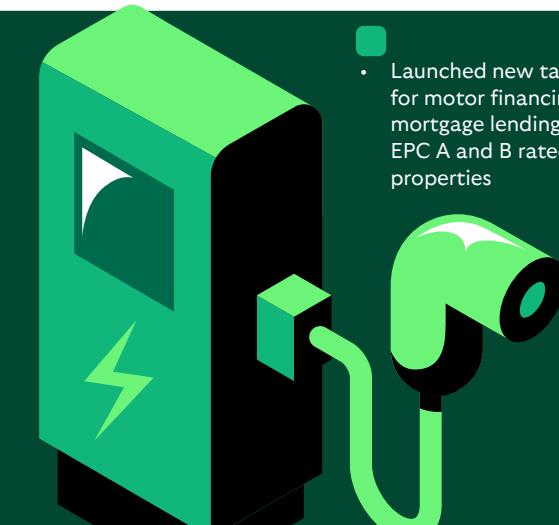
- Determined Lloyds Living emissions baseline
- 50% new developments contracted in 2024 report to NextGeneration Initiative
- Published three additional sector targets
- Launched new Commercial Banking sustainable financing target

2023

- Achieved targets for motor financing and mortgage lending for EPC A and B rated properties
- Achieved Scottish Widows investment in climate-aware strategies
- Achieved Commercial Banking sustainable financing target
- Announced two new operational water and waste pledges

2025

- Scottish Widows published updated transition plan
- Launch of ESG-tilted Scottish Widows Lifetime proposition for Workplace customers
- Launched new targets for motor financing and mortgage lending for EPC A and B rated properties



2030

- 50% reduction in Bank financed emissions
- Scottish Widows half carbon footprint of all investments
- Full exit from lending to all entities operating thermal coal facilities
- 2030 Bank sector targets
- 50% reduction in supply chain emissions
- Net zero own operations
- 50% reduction in operational energy use
- Zero waste by 2030
- Water neutral by 2030

2050

Net zero by 2050 or sooner

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system | Scottish Widows

Own operations

We have an ambition to achieve net zero across our own operations by 2030, based on our 2018/19 baseline¹. The delivery of our ambition is supported by five pledges¹:

- Reduce our direct carbon emissions by at least 90% by 2030 from a 2018/19 baseline
- Reduce total energy consumption across our operations by 50% by 2030 from a 2018/19 baseline
- Maintain travel-related carbon emissions below 50% of 2018/2019 baseline²
- Zero waste by 2030³ (includes our legacy waste reduction pledge⁴)
- Water neutrality⁵ by 2030

Foundations of our approach

The Group established scope 1 and 2 emissions reduction pledges to ensure operational decarbonisation efforts are robust, science-aligned, and meet leading international standards. Developed in response to evolving guidance from the Science Based Targets initiative (SBTi) and the Intergovernmental Panel on Climate Change (IPCC), our initial pledge targeted a 60% reduction by 2030 (from a 2009 base year), which we achieved. We then set a more ambitious goal: a 90% absolute reduction in scope 1 and 2 emissions by 2030 (from a 2018/19 baseline). This was informed by improved methodologies, accurate data, and progress in emissions reduction, exceeding minimum requirements for a 1.5°C pathway as defined by SBTi and IPCC. These pledges were underpinned by scientific guidance, best practice, and benchmarking against SBTi criteria.

In 2021, we pledged to maintain travel emissions below 50% of 2018/19 levels, covering commuting, business travel and company vehicles. This was based on travel pattern analysis, emissions data, and evolving post-pandemic working practices, aligning with the Greenhouse Gas Protocol to lead on scope 3 emissions. Although achieved in 2023, it was by a narrow margin of 1.3%, with rising business travel posing future risks. In 2024, we reassessed the pledge as our international travel needs grew and due to the change in operating model, we removed international travel from the commitment.

Details on our international travel can be found in the [sustainability metrics datasheet](#) →

In 2023, we renewed water and waste pledges and nature commitment to align with global best practice and stakeholder expectations. These aim to deliver tangible actions that embed sustainability values, engage colleagues, and support communities while tackling climate change. In 2025, we plan to go beyond our 80% operational waste reduction pledge to pursue Zero Waste³ by 2030, diverting over 90% of waste from landfill and incineration. Having achieved a 50% water reduction since 2009, our goal is to achieve water neutrality⁵ by 2030 through reducing and reusing water wherever possible, and offsetting any unavoidable consumption via stewardship initiatives.

Our work to improve biodiversity across our people and places is part of our work to progress toward TNFD alignment for our operations. This is supported by our 10-year biodiversity enhancement management plan, launched in 2023, reflecting growing awareness of biodiversity loss and the UK goal to protect 30% of land by 2030⁶ and is underpinned by science-based approaches, partnerships and colleague engagement.

¹ Our ambition and pledge progress reporting excludes emissions from Lloyds Living.

² From 2023/24 our travel-related carbon emissions pledge considers domestic travel only.

³ 90% diversion from landfill and incineration.

⁴ Reduce operational waste by 80% by 2025 from a 2014/2015 baseline.

⁵ Water neutrality across our full operational estate, achieved in line with the mitigation hierarchy (reduce, reuse, replenish). Includes water consumption across our full operational estate.

⁶ [30by30 on land in England: confirmed criteria and next steps](#) →

Supporting the UK's transition continued

Own operations continued | Supply chain | Banking activities | Transition plan by system | Scottish Widows

→ Our actions to deliver

Reduce our direct carbon emissions by 90% by 2030

Progress in 2025

Guided by our 360 framework, our refurbished buildings show that deep retrofit can produce a more carbon-efficient building with lower embodied carbon. This year we opened four refurbished offices and completed construction of a modern high-tech data centre. These buildings are more efficient than their historical counterparts and emit fewer carbon emissions in their daily running through renewable heating solutions and low-energy fixtures and fittings.

Examples include our Old Broad Street office in London which utilises a 2.2 MW air source heat pump as its primary fuel source. Our Colmore Row office in Birmingham utilises our carbon-free electricity in its electric heating system and achieved an upfront embodied carbon footprint of just 164 kgCO₂e/m². We were proud to win Building of the Year at the National Sustainability Awards for our Old Broad Street office.

We continued reducing our carbon emissions associated with heating fuel across our branches through a targeted programme to remove gas burning appliances. This year several branches were assessed for gas removal, with four buildings having their gas boilers replaced with more carbon-friendly electric heating systems.

Next steps

We will continue rolling out our heating decarbonisation programme across the branch estate as well as scaling remote monitoring and smart building analytics to identify residual inefficiencies. To reduce our reliance on grid electricity we will investigate opportunities for new solar PV systems across our property portfolio and explore options for installing renewable energy systems across our estate. We will prioritise low-GWP refrigerants in all new systems and enhance tracking and management of existing F-gas inventories to minimise leakage.

Reduce total energy consumption by 50% by 2030

Progress in 2025

We have continued our efforts to reduce our energy consumption through the delivery of energy efficiency project works. This year we have undertaken seven lighting replacement projects, connected four more branch Building Management Systems (BMS) to our remote monitoring system and undertaken Quattro Seal installations in 23 locations.

Our Connected Energy Management contract with Mitie has produced a combined energy reduction of 4,751 MWh across 29 sites. This year the programme focused on ensuring our BMS controlled our internal environments appropriately and reduced energy waste through plant overrides.

We have continued our relationship with our partner Wates to deliver the 'Call for Innovation'. This initiative brings to the fore new and innovative technologies with their suitability for use assessed against a set of criteria. This year, we identified two new solutions to test on our estate, with outputs closely analysed to determine suitability to roll out further.

Next steps

As we wrap up our large programmes of energy efficiency works, our focus will shift to more bespoke, building specific, packages of work. We will look to close performance gaps in refurbished sites and improve energy use intensity through advanced fault detection and predictive optimisation. We will expand smart building analytics to enable real-time energy management and integrate insights into operational decision making.

Maintain travel-related carbon emissions below 50% of 2018/19 baseline¹

Progress in 2025

We have continued our activities this year to provide our colleagues with more sustainable travel choices. To increase awareness of the sustainable travel options available to colleagues, we hosted a series of sustainable travel roadshows including virtual lunch and learn sessions for liftshare and cycle to work schemes. This year we were awarded the Carpool Champion Award in the Mobilityway's Commute Zero Hero awards.

For our colleagues who need to drive to work we have EV charging available at 31 locations with a total of 230 EV charging points installed across our full estate. Our liftshare platform is available to all UK colleagues and has over 7,300 authenticated journeys with dedicated liftshare parking spaces offered at three sites. For those colleagues who can utilise a more sustainable method of travel we completed bike servicing at five hub offices and increased our active travel enhancements at six sites.

For our colleagues who travel for business our Sustainable Business Travel forum provided more granular data to improve visibility and accountability in addition to the promotion of a rail-first approach to domestic travel.

Next steps

We will continue enhanced travel reporting and engagement to ensure our business units prioritise sustainable travel. Utilising the increased data outputs from this reporting, we will strategically target areas of concern and support specific changes to routes or travel methods to reduce carbon emissions. We will continue to support our colleagues to adopt sustainable commuting habits with bike servicing at key hubs and EV roadshows as examples and will continue to improve active travel facilities across our estate.

To increase colleague engagement we will investigate the introduction of gamification for travel-related activities through the development of app-based technology.

Purpose in action

Update on how we are bringing nature closer to our people and places

This year we continued bringing nature closer to our people and places through targeted actions.

We re-measured the ecological value of six offices to track progress on our 10-year biodiversity enhancement management plans. This helped identify a growing population of 88 great crested newts and rare bladderwort plants at one site. At our new Peterborough data centre, we are delivering additional nature enhancements beyond planning requirements, including woodland and watercourse enhancements and new wildflower meadow habitats to support local butterfly and moth species. We completed site enhancements at three branches, planting 10 UK native trees, 25m of hedgerows, 50m² of new wildflower mini-meadows, and diverse native flowering plants for pollinators. Our refurbished offices at Old Broad Street, Colmore Row and Paper Exchange in Belfast supported urban greening through the installation of insect hotels, native wildflower planters, indoor plants and biodiverse living roofs.

This year, we launched a colleague allotment competition at four sites, growing vegetables and herbs which colleagues could buy, with funds raised going to Crisis. We also gave away 1,840 UK native tree saplings to colleagues at different events.

To ensure our actions do not increase nature-related climate risk, we undertook a Taskforce for Nature Financial Disclosure (TNFD) assessment using the LEAP framework (Locate, Evaluate, Assess and Prepare). We combined Earth Blox multi-source geospatial intelligence with our own operational sustainability data to build a map of the opportunities that exist to improve coexistence with nature across our locations.



SDG 15.a
Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.

Link to strategy



¹ From 2023/24 our travel-related carbon emissions pledge considers domestic travel only.

Supporting the UK's transition continued

Own operations continued | Supply chain | Banking activities | Transition plan by system | Scottish Widows

Zero waste by 2030 (includes our legacy waste reduction pledge¹)

Progress in 2025

This year, we have achieved our 2025 pledge to reduce our operational waste by 80% as compared to our 2014/15 baseline. This reduction was achieved by undertaking several significant actions across our data systems and property portfolio. A key action was to align our waste collection services with our site assessed production volumes. From our initial assessment, we were able to work with our waste delivery partners, Mitie, to reduce collections by over 50% across our office portfolio. A reduced requirement for printing and increase in home working allowed rationalisation of our printing facilities across both our office and branch estate and assisted in the reduction of our paper waste.



We became the first UK Banking organisation to achieve the Zero Waste Europe 'On the Road' accreditation at our Bristol Harbourside office. This accreditation shows that we are making excellent progress in building the right infrastructure whilst increasing colleague action to create a circular environment. To achieve this accreditation we underwent a site audit which highlighted clear and engaging waste sorting stations, the reduction of over 7,800 plastic milk bottles per annum through the installation of milk dispensers and the prioritisation of real crockery and cutlery. All these actions are underpinned by high-quality communication and awareness raising.

Understanding that contamination of our waste streams reduces the options for recycling, our commitment to giving colleagues the right choice for their waste disposal to reduce contamination levels was paramount. Our new waste segregation stations were installed at 13 offices, and are future proofed for further legislative change, enabling segregation of waste into smaller and more specific groups for better recycling options.

¹ Reduce operational waste by 80% by 2025 from a 2014/2015 baseline.

Our new Belfast office was opened with no single-use-cup provision where we chose to provide all our colleagues in this building with a reusable cup. In our Glasgow offices we utilised the services of 'Borrow Cup', an organisation that collaborates with a number of different coffee outlets across the city, to reduce single-use-cup volume.

We continued our mission to reduce food waste through our partnership with Olio. This year, we have increased the number of our locations involved to 18. Through this initiative we have given away 2,223kg of food through 6,744 items.

Next steps

As we transition into our pledge of Zero Waste by 2030, we will spend the coming months developing our reporting and calculation methodology to include our expanded scope of technology waste and construction waste.

Technology waste is defined as any Group owned or leased IT or electronic equipment that is no longer required or useable by the Group, due to building refurbishments, breakage, or replacement by newer models. Across two key processors, 457 tonnes of UK technology waste was collected between October 2024 and September 2025. Working to improve the re-use of technology items across our sites, we redeployed 12% of collected items internally. Any devices no longer required by the Group have been graded by one of our processors and, where possible remarketed, resulting in 10% being sold to other organisations.

Building upon our On the Road status, from Zero Waste Europe, at our Bristol Harbourside office we aim to grow this achievement by upgrading our recognition into the Zero Waste Europe star achievement categories. We will look to achieve the first of three stars at our Bristol Harbourside office. With this knowledge, we will look to expand this accreditation scheme to at least two additional large offices.

In 2025 we signed a new waste contract with Mitie Waste Services. This contract changes our previous waste removal method of a single national contractor to more local contractors. This contract aims to provide better data and a more bespoke service. Through this

contract term we will increase the volume of actual measured waste to over 90% of our total waste collection. We will roll out our current waste segregation stations to more offices and produce a smaller version for our branch estate where appropriate. We will develop, design and deliver single-use-cup collection points to be rolled out across our office estate and continue to reduce our consumption of plastic milk bottles with the further rollout of milk dispensers, making them more innovative with smart weighing technology.

Insights from our LEAP assessment have also supported us beyond our water reduction activity. We intend to support the Aire Resilience Company and the work they are undertaking in the Aire Valley. The focus is to deliver upstream interventions that work with nature to intercept and slow the flow of water, reducing pressure on Leeds' existing flood defences, and bring wider environmental benefits to communities across Leeds and the Aire Valley.

Next steps

In the coming years, we will continue to reduce our water use through solutions such as shower timers and the installation of water butts. Water butts provide us with an additional water source for watering plants and allotment spaces, as well as reducing the run-off volume to the sewerage system in periods of heavy rainfall.

We will continue to work with partner organisations and our water supplier to find and fix any water leaks across our estate. We will expand our automated meter readings and data capture installations across our property portfolio to ensure we can gather accurate data where possible – allowing us to target solutions that further reduce or reuse water.

We will continue to develop our strategy to enable our pathway to 2030. By utilising a mitigation hierarchy based on a three-stage approach; Reduce, Reuse, Replenish, we will prioritise activity that reduces water consumption and, where possible, we will look to capture and reuse water across the operational estate.

To support the development of our water replenishment interventions, we will utilise key guidance and frameworks such as the World Resources Institute's Volumetric Water Benefit Accounting methodology, and will update on the development of this strategy in due course.

Supporting the UK's transition continued

Own operations continued | Supply chain | Banking activities | Transition plan by system | Scottish Widows

→ How we track progress

Our operational ambition

Net zero carbon operations by 2030^{1,2}

56.1%

reduction from a 2018/2019 baseline

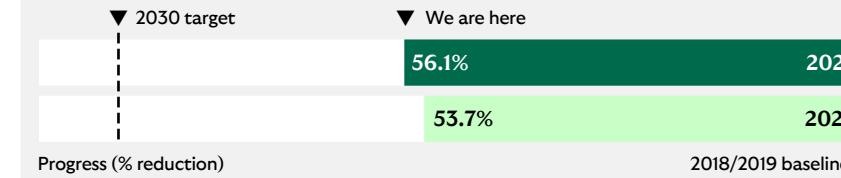
Further details of our Streamlined Energy and Carbon Reporting (SECR) reporting can be found in our [annual report and accounts](#) → and our [sustainability metrics datasheet](#) →



Progress on our pledges

Reduce our direct carbon emissions by at least 90% by 2030^{2,3}

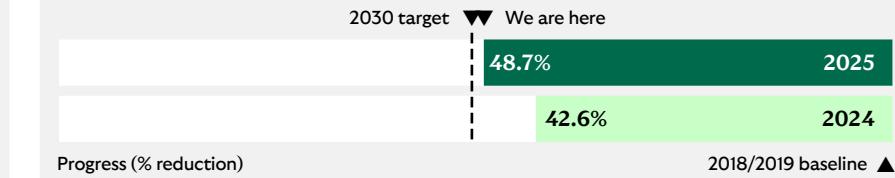
Based on scope 1 and 2 emissions only



56.1%
reduction

Energy consumption^{2,4}

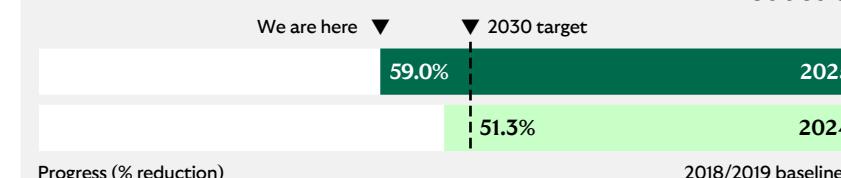
Reduce total energy consumption by 50% by 2030 from a 2018/2019 baseline



48.7%
reduction

Travel emissions^{2,5}

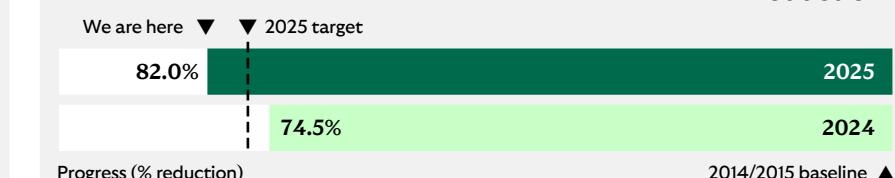
Maintain travel-related carbon emissions below 50% of 2018/19 baseline



59.0%
reduction

Waste reduction^{2,6}

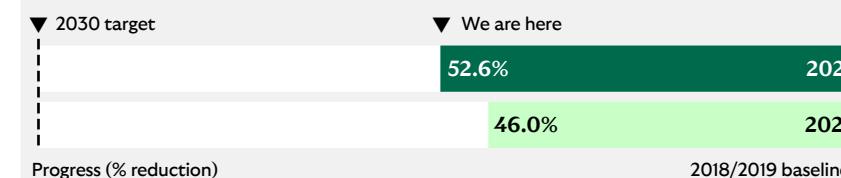
Reduce operational waste by 80% by 2025 from a 2014/2015 baseline



82.0%
reduction

Water neutrality by 2030^{2,7}

Water neutrality from our own operations from a 2018/2019 baseline



52.6%
reduction

1 The methodology to derive reported scope 1, 2 and 3 emissions is provided in the sustainability metrics basis of reporting. Emissions reduction is shown for the period 1 October 2024 to 30 September 2025.

2 Our ambition and pledge progress reporting excludes emissions from Lloyds Living.

3 Includes scope 1 and 2 emissions, market-based approach for electricity scope 2.

4 Includes electricity, gas and fuel usage across our full operational estate and excludes fleet vehicles.

5 Includes UK business travel (covering flights, car journeys, hotel stays, taxis, buses and underground/overground rail trips), and employee commuting, company cars and mobile branches with well to tank (WTT). Includes restated flights and rail emissions performance to reflect improving data coverage. From 2023/24, our travel-related carbon emissions pledge considers domestic travel only.

6 Includes general waste, plastics, mixed recycling, food waste and confidential paper, as well as lower-volume waste such as glass and wood.

7 Water neutrality across our full operational estate, achieved in line with the mitigation hierarchy (reduce, reuse, replenish). Includes water consumption across our full operational estate.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system | Scottish Widows

Supply chain

2025 highlights

We have an ambition to reduce our supply chain emissions by 50% by 2030, from a 2021/2022 baseline, on a path to net zero by 2050.

511,909tCO₂e

2024/25 carbon emissions¹

115.8tCO₂e/£m

2024/25 carbon intensity¹

170

suppliers assessed against our Emerald Standard, representing more than 80% of our supply chain spend and emissions²

¹ Refer to page 74 for further details.

² Refer to page 72 for further details.



→ Foundations of our approach

Reducing the carbon footprint of our supply chain remains a key area of importance. In setting our ambition, we recognised the need to have greater insight on the emissions and impact our demand generates. Supporting our suppliers through active collaboration and engagement, has been and remains essential as we transition to a low carbon economy.

By understanding the carbon emissions generated through the goods and services provided to us, our focus was on setting an emissions reduction ambition in line with a 1.5°C scenario. In setting a 50% reduction between 2022 and 2030, the Group's ambition goes beyond the minimum requirements of the Science Based Targets initiative (SBTi).

We will continue to ensure our methodology and approach aligns with international standards and where necessary enhance internal processes to continuously drive progress.

Through our Emerald Standard, we directly engage with suppliers who make the biggest contribution to our supply chain emissions, setting out clear requirements for them to work towards. This year, we've engaged more suppliers as part of the programme and whilst spend remains higher, carbon emissions and intensity have reduced since baseline year – highlighting progress through our chosen approach.

When we set our ambition, we recognised that achieving it depends on our suppliers reducing their own emissions. As the global pace of transition is currently falling short of what is needed, collective progress is essential to meeting net zero ambitions. For organisations with global supply chains in particular, the geopolitical landscape plays a role in progress being made.

To face into external challenges, we will enhance our Emerald Standard programme in 2026 so that we can work with our suppliers to accelerate the pace – simultaneously strengthening our supply chain and our ability to adapt, change and navigate the risk of future disruption.

Supporting the UK's transition continued

Own operations | Supply chain continued | Banking activities | Transition plan by system | Scottish Widows

→ Our actions to deliver

Our Emerald Standard requirements

Our Emerald Standard is the Group's supplier sustainability standard. To meet the Emerald Standard requirements our suppliers must achieve the following:

01 GHG emissions calculation and disclosure

- A public CDP Climate Change response
- Achieve at least a B score
- Disclosure of scope 1 emissions
- Disclosure of scope 2 emissions
- Disclosure of material scope 3 emissions

02 Net zero commitment

- A public ambition to achieve net zero
- A target year of 2050 or sooner, with interim targets for 2030, or sooner
- A net zero target that covers scope 1, 2 and material scope 3 emissions

03 Science-aligned emission reduction target

- Publicly available science-aligned target
- Targets are aligned to 1.5°C pathway
- Targets cover scope 1, 2 and material scope 3 emissions

04 ESG scorecard

- An up-to-date EcoVadis scorecard
- Achieve an overall score of 59 or more

Partnering for progress

We launched our Emerald Standard in 2022, with the aim of working collaboratively with key suppliers on our common journey to net zero. Setting a clear environmental expectation, it draws on existing globally recognised disclosure and assessment approaches. Since then, we've seen strong progress through active collaboration and continued adoption of the standard.

In 2025, our Emerald Standard population represented over 80% of our in-scope supply chain spend and emissions based on the previous year's reporting (October 2023 – September 2024). Results highlight a continued year-on-year improvement in supplier attainment of the Emerald Standard, showcasing positive progress across our supply base.

The Group's adjustment to how it awards the Emerald Standard, prompted by changes in CDP's scoring methodology, resulted in an additional five suppliers achieving the Emerald Standard in 2025, bringing the total number of suppliers meeting all requirements to 59.

Future focus

We're proud of the progress we've made so far and will build on the momentum created as we look to the future.

With 2030 approaching and the evolving landscape, we are reviewing what we ask of our suppliers to ensure continued alignment with our ambition. To this end, 2026 will see the introduction of an updated Emerald Standard that will build on regulation changes and best practices, ensuring pace of progress aligns with our ambition:

- Shifting focus: A focus on target setting and disclosure has been essential in defining our ambition and setting expectations. The evolution will focus on transition plans and decarbonisation solutions that enable suppliers to reduce their emissions in line with science, whilst continuing collaboration and sharing of best practice
- Leveraging regulations: Increasing mandatory requirements in key jurisdictions for suppliers will be leveraged to unlock efficiencies and minimise additional resource requirements

How our suppliers perform against our Emerald Standard requirements¹

	2025	2024	Trend
Suppliers meeting all requirements of Emerald Standard²	59 (35%)	44 (27%)	↑
1. GHG emissions calculation and disclosure	72 (42%)	61 (38%)	↑
2. Net zero commitment	105 (62%)	77 (48%)	↑
3. Science-aligned emission reduction target	114 (67%)	83 (51%)	↑
4. ESG scorecard	115 (68%)	96 (59%)	↑

¹ The numbers and percentages are reported on an absolute basis, given annual changes to the in-scope supplier population (for example: supplier exits, legal entity changes, scope increase to ensure 80% spend/emissions coverage).

² Due to significant changes in 2024's CDP scoring methodology, suppliers that historically met the CDP B score requirement and met all other requirements in 2025 have been awarded the Emerald Standard, regardless of 2024 CDP scoring.

• Tailoring requirements: Our key suppliers are at different stages of their decarbonisation journeys, so it is important that our requirements adapt to supplier and sector maturity to incentivise progress

• Enhancing data accuracy: For the Group to consistently track performance against targets and GHG reduction plans, our aim is to transition from spend-based data towards supplier-specific emissions inclusive of product carbon footprints

59



key suppliers meeting all requirements of the Emerald Standard, representing 43% of supply chain emissions

“

The Emerald Standard clearly articulates considered, focused and ambitious expectations for Lloyds Banking Group's key suppliers. The investment in expertise and energy behind the Standard is, however, even more impressive; it signals to me the Group's genuine commitment to effecting change through proactive and positive collaboration. The ongoing support, regular events and occasional challenge presented by the team has undoubtedly influenced our own performance and is a model of effective stakeholder engagement.”

Matt Sparkes

Sustainability Director, Linklaters LLP

Supporting the UK's transition continued

Own operations | Supply chain continued | Banking activities | Transition plan by system | Scottish Widows

Engagement approach

We believe that engaging with our suppliers plays a key role in the reduction of emissions generated through the goods and services provided to us – supporting our journey towards net zero.

In 2025, supplier feedback regarding ESG challenges was analysed to develop a roadmap of events, providing suppliers with increased knowledge, a broader network to tackle shared challenges, and support for those transitioning to net zero.

To ensure maximum attendance for our 2025 events, both virtual webinars and an in-person event were offered. The virtual events were designed to provide suppliers with skills and knowledge to advance their sustainability journey, including technical guidance on science-aligned targets, deep dives on best practice for successful CDP and EcoVadis submissions and workshops on calculating scope 3 emissions.

The event series concluded by welcoming 50 unique organisations to our in-person Supplier Sustainability Connect event. The event was curated to address the priorities identified by our suppliers, whilst fostering meaningful dialogue and networking opportunities. The agenda featured sessions on purposeful growth, the business case for nature, transition plans, and a focus group dedicated to discussing the future evolution of the Emerald Standard.

We recognise the importance of bringing our suppliers together to learn, share and support one another through a variety of touchpoints. We will continue to engage our suppliers through both virtual and face-to-face events in 2026, aligning our agenda to focus areas identified during our latest supplier assessments and feedback.



“

Collaboration is the cornerstone of resilient, future-fit supply chains. The Supplier Sustainability Connect hosted by Lloyds Banking Group at their impressive (and sustainably retrofitted) office in London was a reminder of what's possible when organisations come together with shared purpose. It was energising to connect with colleagues, peers and partners all working toward a more sustainable and equitable future. At HH Global, we're proud to support Lloyds Banking Group's ambition of Helping Britain Prosper, and we remain committed to maintaining our leadership status as the Emerald Standard evolves and replicating positive impact across our supply chain and beyond.”

Andrew Westrop

Sustainability Director and ESG Programme Manager, HH Global

Mitigating nature-related risk from third-party spend

Following a nature materiality assessment completed at the end of 2024, we identified three sectors to focus on: construction, business services and technology. We directly engaged with priority suppliers in these sectors and assessed their organisational environmental strategy and commitments aligned to nature, as well as current activity and future plans. Overall findings highlighted that whilst the majority of suppliers in these sectors have identified nature as an area of focus, a number of suppliers are still in the early stages of understanding how best to take this forward. The most mature suppliers have carried out assessments across their own organisation and made or had clear intent to make commitments relevant to their industry and impact.

In addition, we built into the Emerald Standard engagement discussions a broader ESG question with the aim to explore which Emerald Standard suppliers were focusing on nature. Insight revealed several with biodiversity, water and waste initiatives, with associated public disclosures.

All insight gathered is helping inform future plans and strategy on how we can best work with our suppliers to understand and mitigate the impact our supply chain has on nature.

Working with our suppliers to achieve our operational ambitions

Aligned to our zero-waste ambition, we have worked with our technology waste processors to identify treatment methods and lay out reporting requirements for technology waste. These interactions have enabled us to better understand our suppliers' processes and the challenges they face within their own sectors. We will continue collaboration with technology waste processors in 2026 to strengthen data quality, traceability, and consistent categorisation of outcomes – aiming to identify additional reuse opportunities, aligning to our existing circular economy principles.

Purpose in action

Inspiring supplier action

Computacenter is an independent technology and services provider, supplying technology and related support to the Group alongside end-of-life management via its Circular Services – with a focus on three pillars: People, Planet and Solutions.

Via Computacenter's Circular Services, the Group's redundant technology equipment is recovered and assessed for reuse or recycling in line with circular economy principles and the European Waste Hierarchy. We work in partnership to ensure reuse is a priority, with all redundant items thoroughly sanitised of data prior to being redeployed or resold – and environmentally responsible recycling carried out where reuse is not viable.

Once technology equipment has been allocated for reuse or recycling, Computacenter provides insight on monetary returns from resale, carbon avoidance from reuse and recycling, and raw materials extraction from recycled items and components. Recycling outputs are validated by their testing of downstream partners' recycling processes, ensuring robust data and industry-leading practices.

We've also partnered with Computacenter on their Recycle for Good scheme, which encourages employees to donate their personal redundant technology items. From October 2024 to September 2025, the scheme has led to 3,691 items being collected weighing 5.6 tonnes, with the additional value of raising employee awareness of the pressing need to recover materials from used technology.

“Computacenter and Lloyds Banking Group's partnership has been strengthened as a result of the Emerald Standard, which helps suppliers focus on what matters to LBG by allowing partners to focus on implementing changes rather than completing custom questionnaires and reports.”

Clare Parry-Jones

Sales Enablement Director Europe, Computacenter

SDG 12.5

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Link to strategy



Supporting the UK's transition continued

Own operations | Supply chain continued | Banking activities | Transition plan by system | Scottish Widows

How we track progress

Our supply chain emissions

For the latest reporting period, October 2024 to September 2025, emissions are calculated from supplier spend totalling £4.4 billion (net of VAT). This represents an 11% increase in supplier spend compared to our baseline year. Emissions have decreased by 4%, whilst our emissions intensity is 13% lower than baseline year.

Compared to baseline year, our spend composition reflects a higher concentration in higher intensity areas:

- Category 1:** spend has increased by 5% whilst emissions have reduced by 18%
- Category 2:** spend has increased by 146% whilst emissions have increased by 102%
- Category 4:** spend has increased by 49% whilst emissions have increased by 35%

The increase in category 2 emissions reflects the Group's investment in our new data centre, as well as capital expenditure to maintain and transform our office and branch network. Category 4 emissions increased primarily due to increased spend with a single supplier, which accounts for most of the emissions within this category.

The calculation of our category 2 and category 4 emissions relies predominantly on less accurate calculation methodologies. These activities are also more carbon intensive.

Whilst we expect this spend to decrease as our investment programme concludes, we will continue to encourage our key suppliers to disclose their full scope of material emissions, and where possible allocate them to the products and services they deliver to the Group.

Since we started reporting, supplier allocated emissions have risen substantially from 5% to 23%, representing 39% of supplier spend. Conversely, Comprehensive Environmental Data Archive (CEDA) based emissions calculations have decreased from 66% to 48%. This demonstrates an improvement in the quality and accuracy of the data used to calculate our emissions.

The most appropriate approach to calculation of emissions associated with the supply chains supporting Lex Autolease, Tusker and Lloyds Living businesses requires further investigation before we can disclose them. Their supply chain emissions arise predominantly from the purchase of vehicles and property.

Overall, we estimate there is a further c.£5.7 billion gross spend which is currently not captured or disclosed in our reporting. Lex Autolease, Tusker and Lloyds Living third-party spend represents c.94% of the c.£5.7 billion.

Scope 3 supply chain emissions (tCO₂e)

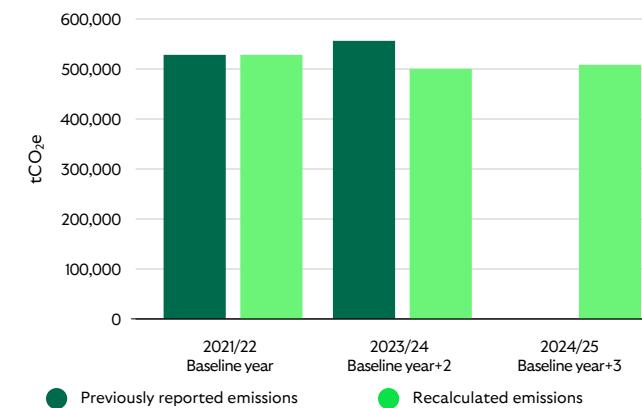
	Baseline year + 3 2024/25	Baseline year + 2 2023/24	Baseline year 2021/22
Scope 3 supply chain emissions by GHG protocol category			
Category 1 – purchased goods and services (including category 8 upstream leased assets)	350,383	352,522	429,676
Category 2 – capital goods	76,742	93,306	37,966
Category 4 – upstream transportation and distribution	84,784	58,471	62,979
Total	511,909 *	504,299	530,621 *
Emission Intensity (tCO₂e / £m)	115.8	109.5	132.9

* Indicator is subject to limited assurance by Deloitte LLP for further details see page 02.

Strengthening data accuracy

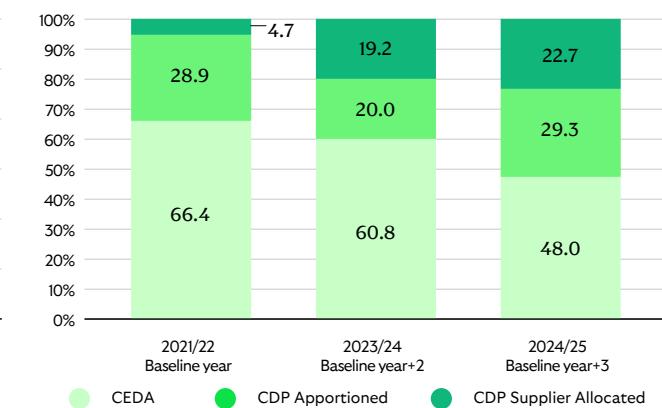
In October 2025, CEDA released an update to carbon emissions factors for 2023 onwards. This update incorporates UK price index adjustments, reflects real-world decarbonisation trends, and adopts updated global warming potential (GWP) values following the transition from Intergovernmental Panel on Climate Change (IPCC) Assessment Report 5 (AR5) to Assessment Report 6 (AR6). As a result, we have restated baseline year + 1 and baseline year + 2.

Supply chain emissions (tCO₂e)



To maintain consistency and comparability between our disclosures, we also re-aligned some of our previous CEDA mappings based upon improved understanding of descriptions and corrected immaterial findings identified in prior calculations. These changes have been applied retrospectively, including to our baseline year, to ensure our data reflects the most accurate and up-to-date information available. To maintain confidence in our restated baseline year and latest reported emissions, these have been subject to limited assurance.

% of emissions by methodology



Industry collaboration

We are proud to be part of the Finance Initiative for Sustainable Procurement (FISP) Peer Group, facilitated by Accenture, where we work alongside industry peers regarding sustainable procurement practices across the financial sector. Through open collaboration, we share best practices, tackle common challenges, and we have contributed to the group's first white paper on the calculation and reporting of emissions in the financial services sector.

Whilst our involvement reflects our commitment to embedding sustainability into our supply chain, it is up to each organisation to take its own independent decision to integrate recommendations in line with their commitments and policies.



Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system | Scottish Widows

Banking activities

Our Group ambition, to reach net zero by 2050 or sooner, guides our long-term direction and underpins our role in supporting the UK's transition to a low carbon economy.

Our bank lending activity is the largest share of our Group financed emissions and a key area of focus for supporting the transition while unlocking growth opportunities through the financing of clients, customers and the broader economies such as transition technologies and nature-based solutions.

Alongside balance sheet growth, understanding our exposure to transition risks across our lending portfolios is also critical to managing financial stability and shareholder value. Aligning with the Paris 1.5°C goal is essential to mitigate economic disruption and protect resilience for our business and the UK economy.

Our priority is to be a constructive partner in the transition. We support clients on their own transition journeys. The scale of the transition challenge demands a systemic approach to influence change, recognising that no single organisation can deliver the transition alone. We work with policymakers, regulators, clients and suppliers to shape frameworks, accelerate adoption of low-carbon technologies and scale solutions at pace. Collaboration mitigates risk and creates new markets and revenue streams.

To support the delivery of our Group ambition, we have set science-aligned targets for our most material sectors (see [page 79](#)). These guide our lending activities, assisting us to align our capital flows with low-carbon and transition outcomes.

Unless otherwise stated, disclosures in this section from [pages 75 to 110](#) are not applicable to our Scottish Widows' assets and liabilities. See [pages 111 to 118](#) for Scottish Widows disclosures.

Our actions focus on driving practical change such as:

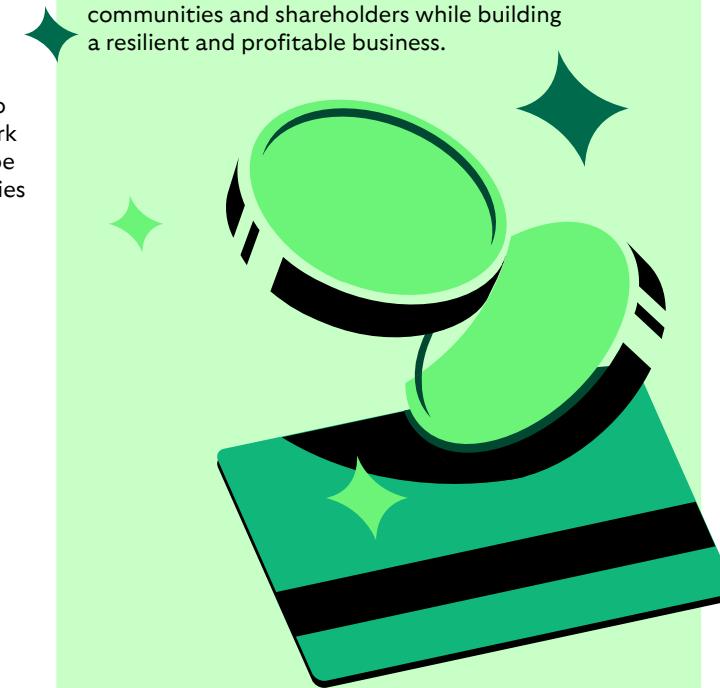
Financing energy-efficient and low-carbon projects to future-proof assets

Supporting clients with transition plans

Advocating for policy frameworks that enable systemic change

Convening stakeholders to share insights and scale solutions

Together, our ambition provides the overall direction for the Group, our sector targets support the roadmap for our business, and our financing demonstrates measurable progress – creating value for customers, communities and shareholders while building a resilient and profitable business.



Supporting the UK's transition continued

Own operations | Supply chain | Banking activities continued | Transition plan by system | Scottish Widows

→ Bank lending to customers in environmentally significant sectors

When considering sectors with increased environmental sustainability-related risk, we have looked at both climate and nature.

We recognise that we are earlier in our journey on nature than climate and therefore have initially focused on disclosing our exposure to sectors considered to have material nature-related impacts and dependencies.

This has been achieved by mapping industry codes provided by TNFD, for priority sectors defined in TNFD's Additional Guidance for Financial Institutions¹, to standard industrial classification (SIC) codes. The drivers behind the climate risk sectors and nature priority sectors are however potentially different.

Exposure to customers in environmentally significant sectors		
Industry	Increased climate risk drivers ²	Nature-related impacts and dependencies ³
Agriculture, forestry and fishing	Increased climate risk sectors: agriculture, fishing and forestry. The agriculture sector is exposed to policy reform, increasing demands from supply chains and changes in consumer behaviour, alongside technological advances.	Agriculture is one of the sectors with the largest impacts and dependencies on nature. For example, agriculture directly contributes towards water scarcity and declining soil health. The forestry sector is directly dependent on water availability and can, when not managed sustainably, lead to habitat destruction and soil erosion. Fishing activities are dependent on healthy ecosystems, and can cause biodiversity loss through overexploitation and habitat destruction.
Construction	Increased climate risk sectors: housebuilders and other construction. Risks associated with housebuilding and other construction include increased environmental regulation, including carbon taxes, and investor pressures and shifting consumer sentiment to move to alternative sustainable practices.	Construction activities are associated with high resource intensity, relying on large quantities of raw materials such as timber and water, the extraction of which can have significant impacts on natural ecosystems. Construction activities also involve significant land use changes and the production of substantial waste and pollution.
Energy and water supply	Increased climate risk sectors: utilities. Utilities that fail to address climate risks may face reputational damage, exposure to carbon taxes, higher investment requirements, legal challenges, and increased scrutiny from investors and stakeholders.	Energy supply is a priority sector for nature as this sector has direct impacts on nature across land and sea use change, resource use and pollution. Water supply is highly dependent on ecosystem services ³ that enable the provision of water of a suitable quality. Waste management services within this industry are most notably associated with pollution as an impact driver through the pollution of soils and water.
Financial, business and other services	Increased climate risk sectors: automotive and real estate. The majority of our lending to financial, business and other services is associated with automotive , specifically rental companies, which are at risk of increased regulation/policies, as well as increasing investor pressure and shifting customer sentiment.	The majority of our lending to the financial, business and other services industry is not considered to have material impacts and dependencies on nature. Impacts and dependencies are associated with services to the sector linked to transportation (see Transport, distribution and hotels).
Manufacturing	Increased climate risk sectors: automotive, construction materials, chemicals and steel manufacture, food manufacture and wholesalers, general manufacturing and oil and gas. Manufacturing covers a broad range of activities, with risks associated with increasing policy reform, pressure to reduce emissions, exposure to carbon taxes, and increased litigation pressure and reputational damage.	Whilst manufacturing as an industry is not a distinct nature priority sector, manufacturing activities can have large impacts on the natural environment through, for example, air and water pollution and waste generation. These activities may also be highly dependent on the availability of water resources and have a high resource dependency on raw materials.
Mining and quarrying	Increased climate risk sectors: oil and gas. The risks from associated activities are increasing policy reform, pressure to reduce emissions, exposure to carbon taxes, potential litigation and reputational damage.	Our lending to mining and quarrying activities is low; however, these activities are associated with impacts related to land, freshwater and ocean use change as well as pollution such as air, soil and water pollutants and waste generation. The industry is also associated with high dependencies on ecosystem services such as water supply, flood control and water purification.
Postal and telecommunications	Climate risk is relatively low for this industry compared to other sectors.	The impacts of our lending to the postal and telecommunications industry is not associated with a nature priority sector indicating that it is not considered to have material nature-related dependencies and impacts.
Property companies	Increased climate risk sectors: real estate. The climate risks associated with real estate are evolving energy-efficiency regulations, which could render properties non-compliant, potentially impact property valuations and lead to increased affordability pressures.	The majority of our lending to property companies is not considered to have material nature-related impacts and dependencies as this finance is primarily associated with real estate investment activities.
Transport, distribution and hotels	Increased climate risk sectors: automotive, industrial transport, oil and gas and passenger transport. Transition risk is a key issue for the transport sector, with an increase in regulation/policies, increased competition with new entrants alongside advances in technology, as well as increasing investor pressure and shifting customer sentiment.	High impacts and dependencies on nature related to our lending include, for example, the transport sector's potential to significantly impact nature in ways such as the emission of greenhouse gases and non-greenhouse gases, water and noise pollution. Beyond transport, this industry is associated with consumer services , such as food and drink and retail sale of pharmaceuticals, driving impacts such as waste production.
Personal (mortgages and other)	Risks associated with personal mortgages are evolving energy-efficiency regulations, which could render properties non-compliant, potentially impact property valuations and lead to increased affordability pressures.	Our personal mortgages are not considered to have material direct impacts or dependencies on nature. Whilst upstream homebuilding (see Other construction) is associated with significant impacts and dependencies on nature, personal mortgages are primarily financial transactions related to property ownership which therefore have less of a direct influence on nature.
Lease financing and hire purchase	Transition risk is a key issue for the transport sector , with an increase in regulation/policies, increased competition with new entrants alongside advances in technology, as well as increasing investor pressure and shifting customer sentiment.	Lease financing and hire purchases are closely associated with the transport industry (see Transport, distribution and hotels).

¹ TNFD: Additional Guidance for Financial Institutions We have used ENCORE as the primary source of impact and dependency information.

² Increased climate risk represents lending to customers that may likely contribute a higher share of the Group's financed emissions. Not all customers in these sectors have high emissions or are exposed to significant transition risks.

³ The benefits people obtain from ecosystems.

Supporting the UK's transition continued

Banking activities continued

→ Exposure to environmentally significant sectors

Our lending portfolio means we have exposure to the following sectors with increased climate risk: residential mortgages, real estate sector and agriculture.

1 Based on the standard European nomenclature of productive activities (NACE codes) as presented within the Concentrations of Exposure table in our annual report and accounts → on page 165. Lease financing, previously reported in aggregate, is presented separately according to whether the lending is personal or non-personal. Non-personal lease financing is allocated to the industries or sectors relevant to the exposure. Comparatives are represented on a consistent basis.

2 Based on standard industrial classification (SIC) codes.

3 Lending is based on total loans and advances to customers before allowance for impairment losses.

4 Off-BS (Off Balance Sheet) includes total commitments, financial guarantees and contingent liabilities.

5 Agriculture includes Scottish Widows loans held via securitisation.

6 Energy and water supply nature priority sector % of Group – this industry is also associated with waste management services which, whilst not associated with high climate risk, are associated with material impacts and dependencies on nature.

7 Manufacturing nature priority sector % of Group – unlike for climate, not all general manufacturing is associated with a nature priority sector.

8 Property companies nature priority % of Group – whilst the TNFD identifies real estate development as a priority sector for nature, the majority of our exposure is associated with real estate investment activities, and therefore this lending is not associated with a nature priority sector.

9 Real estate includes social housing and loans held via securitisation.

10 Transport, distribution and hotels nature priority % of Group – whilst not considered to be associated with high climate risk, some of our lending in this industry is associated with, for example, consumer services such as food and drink and retail sale of pharmaceuticals which are associated with nature priority sectors.

11 Personal (mortgages) nature priority sector % of Group – whilst climate risk considers the energy usage of homes associated with our personal mortgages as a key driver, from a nature perspective the direct influence of homeowners on the state of nature is considered to be low.

12 Nature priority sectors are identified separately from increased climate risk, outlined on page 76.

Exposure to customers in environmentally significant sectors (£m)							31 December 2025				31 December 2024			
Concentrations of exposure ¹	Sectors with increased climate risk ²						Increased climate risk % of Group	Nature priority sector % of Group	Lending ³	Off-BS ⁴	Total exposure	Increased climate risk % of Group	Nature priority sector % of Group	
	Agriculture, forestry and fishing	Construction	Energy and water supply ⁶	Financial, business and other services	Manufacturing ⁷	Mining and quarrying	Postal and telecommunications	Property companies ⁸	Transport, distribution and hotels ¹⁰	Personal: Mortgages ¹¹	Personal: Lease financing	Personal: Other		
Agriculture, forestry and fishing														
Agriculture ⁵														
Fishing														
Forestry														
Total	6,071	705	6,776											
Housebuilders	872	1,390	2,262											
Other construction	2,303	1,285	3,588											
Total	3,175	2,675	5,850											
Utilities	4,910	5,499	10,409											
Not assessed as increased risk	661	1,014	1,675											
Total	5,571	6,513	12,084											
Automotive	860	1,001	1,861											
Real estate	—	555	555											
Not assessed as increased risk	39,361	33,838	73,199											
Total	40,221	35,394	75,615											
Automotive	1,056	1,898	2,954											
Construction materials, chemicals and steel manufacture	379	219	598											
Food manufacturing and wholesalers	1,530	679	2,209											
General manufacturing	1,797	3,949	5,746											
Oil and gas	45	44	89											
Not assessed as increased risk	519	980	1,499											
Total	5,326	7,769	13,095											
Oil and gas	147	1,153	1,300											
Not assessed as increased risk	167	19	186											
Total	314	1,172	1,486											
Not assessed as increased risk	3,177	3,909	7,086											
Total	3,177	3,909	7,086											
Real estate ⁹	19,139	7,131	26,270											
Total	19,139	7,131	26,270											
Automotive	1,866	1,912	3,778											
Industrial transport	1,084	1,056	2,140											
Oil and gas	104	6	110											
Passenger transport	1,010	1,433	2,443											
Not assessed as increased risk	6,266	5,449	11,715											
Total	10,330	9,856	20,186											
Increased risk	346,033	19,566	365,599											
Total	346,033	19,566	365,599											
Increased risk	13,972	220	14,192											
Total	13,972	220	14,192											
Increased risk	160	—	160											
Not assessed as increased risk	30,985	65,674	96,659											
Total	31,145	65,674	96,819											
Total	484,474	160,584	645,058											
Subtotals	Increased climate risk						70.3%	9.3%	463,048	151,225	614,273		70.0%	9.2%
	Nature priority sectors ¹²						70.3%	9.3%	386,605	44,168	430,773		70.0%	9.2%
	Oil and gas						0.2%	—	38,471	18,317	56,788		0.1%	—
	Automotive						1.3%	—	183	526	709		1.3%	—
	Real estate						4.2%	—	3,640	4,619	8,259		4.2%	—
									19,271	6,488	25,759			

Supporting the UK's transition continued

Banking activities continued

→ Our 2025 exposure to increased climate risk sectors – including credit loss stage and maturity

Analysis by IFRS 9 expected credit loss stage and maturity for lending made to sectors classified as being at increased climate risk.

Exposure to customers in sectors with increased climate risk (£m) – 31 December 2025

Concentrations of exposure ¹	Sectors with increased climate risk	Increased risk lending by credit loss stage				Increased risk lending by maturity			
		Stage 1	Stage 2	Stage 3	Total	< 1 year	1-5 years	> 5 years	Total
Agriculture, forestry and fishing	Agriculture	4,530	1,226	247	6,003	1,984	1,568	2,451	6,003
	Fishing	11	2	—	13	5	3	5	13
	Forestry	50	5	—	55	18	14	23	55
Total		4,591	1,233	247	6,071	2,007	1,585	2,479	6,071
Construction	Housebuilders	573	224	75	872	555	275	42	872
	Other construction	2,045	191	67	2,303	1,464	727	112	2,303
Total		2,618	415	142	3,175	2,019	1,002	154	3,175
Energy and water supply	Utilities	4,744	139	27	4,910	2,422	2,041	447	4,910
Total		4,744	139	27	4,910	2,422	2,041	447	4,910
Financial, business and other services	Automotive	848	11	1	860	476	333	51	860
Total		848	11	1	860	476	333	51	860
Manufacturing	Automotive	1,032	22	2	1,056	617	381	58	1,056
	Construction materials, chemicals and steel manufacture	336	40	3	379	221	137	21	379
	Food manufacturing and wholesalers	1,463	66	1	1,530	894	552	84	1,530
	General manufacturing	1,578	165	54	1,797	1,049	649	99	1,797
	Oil and gas	44	1	—	45	27	16	2	45
Total		4,453	294	60	4,807	2,808	1,735	264	4,807
Mining and quarrying	Oil and gas	44	94	9	147	103	38	6	147
Total		44	94	9	147	103	38	6	147
Property companies	Real estate	17,464	1,286	389	19,139	9,310	7,974	1,855	19,139
Total		17,464	1,286	389	19,139	9,310	7,974	1,855	19,139
Transport, distribution and hotels	Automotive	1,781	49	36	1,866	1,133	601	132	1,866
	Industrial transport	994	81	9	1,084	658	349	77	1,084
	Oil and gas	104	—	—	104	64	33	7	104
	Passenger transport	958	45	7	1,010	613	326	71	1,010
Total		3,837	175	52	4,064	2,468	1,309	287	4,064
Personal: Mortgages	In scope	306,711	33,468	5,854	346,033	14,924	55,995	275,114	346,033
Total		306,711	33,468	5,854	346,033	14,924	55,995	275,114	346,033
Personal: Lease financing	In scope	11,076	2,758	138	13,972	4,488	9,380	104	13,972
Total		11,076	2,758	138	13,972	4,488	9,380	104	13,972
Personal: Other	In scope	150	6	4	160	45	106	9	160
Total		150	6	4	160	45	106	9	160
Total		356,536	39,879	6,923	403,338	41,070	81,498	280,770	403,338

¹ Personal (mortgages and other) includes POCI (purchased or originated credit impaired) assets within underlying stages, £0.6 billion Stage 1, £2.7 billion Stage 2 and £1.7 billion Stage 3.

Supporting the UK's transition continued

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→ Sector target summary

Our target summary

Based on 2024 total Group assets of £906.7 billion, approximately £537.9 billion of assets (excluding pension and investment balances) are in scope of Partnership for Carbon Accounting Financials (PCAF) methodology. We have calculated emissions for 99% of our Bank assets in scope of PCAF¹.

Cash is represented in our coverage as zero emissions, noting the PCAF standard does not have a methodology for cash. The table below shows the proportion of lending that is covered by financed emissions sector targets:

Reconciliation of Group total assets to lending used for emissions calculations

	Total 2024 £bn
Total assets	906.7
Insurance, Pensions and Investments ²	(197.3)
Outside of PCAF scope	(171.5)
Bank assets in scope	537.9
Assets where emissions are not yet calculated	(2.8)
Bank assets where emissions are calculated	535.1
Zero emissions assets ³	(65.8)
Bank sovereign debt ⁴	(16.8)
Bank lending with financed emissions	452.5

1 We have used the PCAF Part A – Financed emissions 2nd edition (2022) for calculations. We will review the Part A – Financed emissions 3rd edition (2025) that was released in December 2025 to determine what updates may be appropriate for future disclosures.

2 Pensions and investment balances are covered through our Scottish Widows financed emissions ambition.

3 Relates to zero emission balances (mainly cash).

4 See [page 80](#) for our approach to Bank sovereign debt.

Sector target summary								
System and target ¹	Baseline year of target	Total sector lending 2024 (£bn)	Lending within sector target 2024 (£bn)	% within sector target in 2024	Target baseline ²	2024 Target progress	Divergence from pathway ³	
Greening the built environment								
UK mortgages – 35% reduction in emissions intensity to 30kgCO ₂ e/m ² by 2030	2020	313.0	313.0	100%	46kgCO ₂ e/m ²	42kgCO ₂ e/m ²	2.0 %	
Commercial and residential real estate (C&RRE) – 43% reduction in emissions intensity to 22kgCO ₂ e/m ² by 2030	2021	21.9	18.9	86%	38kgCO ₂ e/m ²	34kgCO ₂ e/m ²	5.6 %	
Low carbon transport								
Retail motor (cars and LCVs) – 48% reduction in emissions intensity to 82gCO ₂ e/km by 2030	2018	22.1	21.0	95%	157gCO ₂ e/km	132gCO ₂ e/km	(1.8)%	
Road passenger transport – 47% reduction in emissions intensity to 67gCO ₂ e/pkm by 2030	2019	1.1	0.6	53%	125gCO ₂ e/pkm	109gCO ₂ e/pkm	0.6 %	
Automotive (OEMs) – 47% reduction in emissions intensity to 131gCO ₂ e/vkm by 2030	2020	8.6	8.5	99%	246gCO ₂ e/vkm	234gCO ₂ e/vkm	18.7 %	
Aviation – 31% reduction in emissions intensity to 788gCO ₂ e/rtk by 2030	2019	0.0	0.0	84%	1,143gCO ₂ e/rtk	743gCO ₂ e/rtk	(24.4)%	
Sustainable farming and food								
Agriculture – 23% reduction of absolute emissions to 5.1MtCO ₂ e by 2030	2021	6.2	5.8	93%	6.6MtCO ₂ e	5.4MtCO ₂ e	(13.3)%	
Energy transition								
Oil and gas – 50% reduction in absolute emissions to 3.6MtCO ₂ e by 2030	2019	1.4	0.5	37%	7.2MtCO ₂ e	1.6MtCO ₂ e	(59.3)%	
Power generation – 81% reduction in emissions intensity to 51gCO ₂ e/kWh by 2030	2020	4.0	2.9	73%	264gCO ₂ e/kWh	6gCO ₂ e/kWh	(96.4)%	
Thermal coal – Full exit of thermal coal power in the UK by 2023. Full exit from all entities that operate thermal coal facilities by 2030								
Total lending to sectors with targets		378.3	371.2	98%				
Consumer Lending without sector targets		15.6						
Commercial Banking without sector targets		58.6						
Bank lending with financed emissions		452.5						

$$\text{Target sector coverage} = \frac{\text{Total lending within sector targets}}{\text{Bank lending with financed emissions}} = 82\%$$

$$\text{Total calculated emissions} = \frac{\text{Bank assets where emissions are calculated}}{\text{Bank assets in scope}} = 99\%$$

1 There are rounding differences between target baseline, percentage reduction and 2030 target. Targets cover on-balance sheet assets. The scope of our targets have been defined, and the target setting methodologies set out, within the sustainability metrics basis of reporting available at our [sustainability downloads](#) →

2 C&RRE, Retail motor, Road passenger transport, Automotive (OEMs), Aviation, Agriculture, Power and Oil and gas baselines have been updated due to methodology changes, correction of misstatements due to error and revised client data.

3 Shows divergence between 2024 actual and 2024 reference pathway emission intensity. Arrow up – performance for 2024 ahead of reference pathway. Arrow down – performance for 2024 behind reference pathway.

4 Indicator is subject to limited assurance by Deloitte LLP see [page 02](#) for details.

Supporting the UK's transition continued

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→ Our Bank financed emissions

Our scope 3 financed emissions are calculated from the scope 1 and 2 emissions generated from our investments or lending. Scope 3 (value chain) emissions are also calculated and reported separately. We continue to refine our estimates of financed emissions as we enhance our understanding, calculation methodologies and data. Further details on our calculation methodology can be found within the sustainability metrics basis of reporting available in our [sustainability downloads](#) →

We recognise our role in the UK economy, and the opportunities it creates to support the transition of our most carbon-intensive sectors to meet our net zero ambitions. In supporting the transition through direct financing our financed emissions may increase on a temporary basis. In the long term we expect that supporting the transition of our high carbon sector clients will reduce our financed emissions. For details of our Client Transition Plan assessment approach see [pages 82 to 83](#).

Bank sovereign debt

Following the issuance by PCAF of its sovereign debt methodology, we have calculated and reported financed emissions on our sovereign bond portfolio since prior year. These bonds are held as part of the Bank's liquidity portfolio. As the balances can vary significantly over time and there is limited potential to influence the emissions of the issuing nations, these emissions are not included as part of the Bank financed emissions baseline or ambition. Estimated emissions for the period ended 31 December 2024 are 2.2MtCO₂e excluding Land Use, Land-Use Change and Forestry (LULUCF) and 2.3MtCO₂e including LULUCF. For details on sovereign debt emissions within Scottish Widows see [page 117](#).

Bank absolute financed emissions, PCAF data quality scores and intensity metrics^{1,2,5}

Sector	2024												2023												2018												
	Financed emissions						Data quality						Financed emissions						Data quality						Financed emissions						Data quality						
	MtCO ₂ e			Intensity			PCAF data quality score			MtCO ₂ e			Intensity			PCAF data quality score			MtCO ₂ e			Intensity			PCAF data quality score			MtCO ₂ e			Intensity			PCAF data quality score			
	Scope 1	Scope 2	Total scope 1 and 2	Scope 1	Scope 2	Scope 3	Physical intensity	Scope 1	Scope 2	Total scope 1 and 2	Scope 1	Scope 2	Physical intensity	Scope 1	Scope 2	Physical intensity	Scope 1	Scope 2	Physical intensity	Scope 1	Scope 2	Physical intensity	Scope 1	Scope 2	Physical intensity	Scope 1	Scope 2	Physical intensity	Scope 1	Scope 2	Physical intensity						
Greening the built environment																																					
UK mortgages	3.9	0.5	4.4 ^④	—	—	—	42kgCO ₂ e ^④	/m ²	3.3	3.3	3.3 ^④	—	—	—	—	—	—	4.7	—	43kgCO ₂ e ^④	/m ²	3.4	—	—	—	—	—	—	—	—	—	—	—				
C&RRE	0.3	0.2	0.5 ^④	—	—	—	34kgCO ₂ e ^④	/m ²	4.5	4.5	4.5 ^④	—	—	—	—	—	—	0.6	—	34kgCO ₂ e ^④	/m ²	4.4	—	—	—	—	—	—	—	—	—	—	—				
Low carbon transport																																					
Retail motor	2.2	0.2	2.4 ^④	—	—	—	132gCO ₂ e ^④	/km	2.3	2.7	2.3 ^④	—	—	—	—	—	—	2.4	—	140gCO ₂ e ^④	/km	2.2	—	3.7 ^④	—	—	—	157gCO ₂ e/ ^④	km	2.1 ^④	—	—					
Road passenger transport	0.2	—	0.2 ^④	0.2 ^④	0.2 ^④	—	109gCO ₂ e ^④	/pkm	1.1	1.1	1.1 ^④	2.5 ^④	—	—	—	—	—	0.1	0.2	114gCO ₂ e/ ^④	pkm	1.2	2.9	—	—	—	—	—	—	—	—	—	—				
Automotive (OEMs)	0.1	0.1	0.2 ^④	14.5 ^④	234gCO ₂ e ^④	/vkm	1.0	1.2	1.1 ^④	1.5 ^④	—	—	—	—	—	—	0.2	15.0	293gCO ₂ e ^④	/vkm	1.2	1.9	—	—	—	—	—	—	—	—	—	—					
Aviation	—	—	— ^④	— ^④	743gCO ₂ e ^④	/rtk	1.0	1.0	1.0 ^④	2.0 ^④	—	—	—	—	—	—	0.1	—	901gCO ₂ e ^④	/rtk	1.0	1.8	—	—	—	—	—	—	—	—	—	—					
Sustainable farming and food																																					
Agriculture	5.2	0.2	5.4 ^④	—	—	—	—	—	4.6	4.7	4.6 ^④	—	—	—	—	—	—	5.8	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—			
Energy transition																																					
Oil and gas	0.2	—	0.2 ^④	1.4 ^④	—	—	—	—	1.1	1.2	1.2 ^④	2.2 ^④	—	—	—	—	—	0.2	1.5	—	—	1.1	2.1	—	—	—	—	—	—	—	—	—	—				
Power generation	0.1	—	0.1 ^④	—	—	—	6gCO ₂ e/ ^④	kWh	2.9	1.7	2.8 ^④	—	—	—	—	—	0.1	—	52gCO ₂ e/ ^④	kWh	2.8	—	—	—	—	—	—	—	—	—	—	—	—				
Bank financed emissions with sector target																																					
Consumer Lending without sector targets ³	0.2	—	0.2	—	—	—	—	—	3.1	3.1	3.1	—	—	—	—	—	—	0.3	—	—	—	—	3.1	—	7.0	—	—	—	3.9	—	—	—	—	—	—		
Commercial Banking without sector targets ⁴	3.8	1.2	5.0	42.9	—	—	—	—	3.8	3.8	3.8	5.0	—	—	—	—	—	4.8	42.3	—	—	3.7	5.0	18.5	—	—	—	4.0	—	—	—	—	—	—			
Total Bank financed emissions	16.2	2.4	18.6	59.0	—	—	—	—	3.2	3.3	3.2	4.5	—	—	—	—	—	19.3	59.0	—	—	3.3	4.6	29.2	—	—	—	—	—	—	—	—	—	—	3.8	—	

¹ Our 2018 baseline year was restated from 29.7MtCO₂e to 29.2MtCO₂e and 2023 comparative year restated from 19.7MtCO₂e to 19.3MtCO₂e. These restatements are due to methodology changes, correction of misstatements due to error and improving client data impacting C&RRE, Retail motor, Road passenger transport, Automotive (OEMs), Agriculture, Oil and gas and Commercial Banking without sector targets. This has been partially offset by the addition of our European mortgages portfolio from 2023. Further details provided for affected sectors on [pages 84 to 110](#). Our recalculation approach is set out in our sustainability metrics basis of reporting which is available in our [sustainability downloads](#) →

² The Bank's scope 3 emissions are made up of the scope 1, 2 and 3 emissions of the customers we lend to. Methodology outlining the calculation of finance emissions is included in our sustainability metrics basis of reporting which is available in our [sustainability downloads](#).

³ Consumer lending without sector targets relates to Retail motor vehicles outside of the Cars & LCVs sector target, and our European mortgages (2023 onwards). 2018 includes UK mortgages prior to setting a sector target.

⁴ Commercial Banking without sector targets, reflects scope 3 for all sectors without a scope 3 target, in line with PCAF guidance. This disclosure is limited to scope 3 upstream emissions due to PCAF scope 3 emission factors only covering upstream.

⁵ Targets cover on balance sheet assets.

^④ Indicator is subject to limited assurance by Deloitte LLP for further details see [page 02](#).

For details on economic intensity by sector please see the sustainability metrics datasheet available in [sustainability downloads](#) →

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→ Facilitated emissions

PCAF published the Global GHG Accounting and Reporting Standard (Part B) (the Standard) for facilitated emissions in December 2023, which covers a subset of capital markets (off-balance sheet) activities.

In alignment with PCAF standards, we have updated our baseline for our facilitated emissions activities that adhere to the Standard, along with disclosing our emissions for 2024. This includes primary bond and syndicated loan issuances. Facilitated emissions differ from financed emissions in that they are not typically held on balance sheet.

Setting sector reduction targets for facilitated emissions

Our facilitated emissions data is sector and deal concentrated with four sectors representing over 50% of scope 1 and 2 facilitated emissions for 2024. We acknowledge that facilitated emissions will fluctuate year-on-year due to: the influence of market conditions on deal supply and demand; emissions being calculated and disclosed only in the year each deal is facilitated; and PCAF bringing more products into scope for facilitated emissions in the future.

Bank facilitated emissions, PCAF data quality scores and intensity metrics

Sector	2024										Baseline year: 2023									
	Facilitated amount (£bn)	Facilitated emissions (MtCO ₂ e)						Economic emissions intensity (MtCO ₂ e/ £bn)	Facilitated amount (£bn)	Facilitated emissions (MtCO ₂ e)						Economic emissions intensity (MtCO ₂ e/ £bn)				
		Scope 1 and 2 33% weighting	Scope 1 and 2 100% weighting	Scope 1 and 2 as % of Facilitated Total	PCAF data quality score	Scope 3 33% weighting	Scope 3 100% weighting			Scope 1 and 2 33% weighting	Scope 1 and 2 100% weighting	Scope 1 and 2 as % of Facilitated Total	PCAF data quality score	Scope 3 33% weighting	Scope 3 100% weighting	Scope 3 as % of Facilitated Total				
Low carbon transport																				
Passenger transport	0.0	0.07	0.21	27%	1.5	0.03	0.09	1%	2.0	0.68	0.4	0.10	0.31	43%	1.5	0.04	0.12	2%	2.0	0.95
Automotive (OEMs)	4.3	0.03	0.09	11%	1.1	2.22	6.72	67%	2.0	1.59	2.8	0.02	0.06	9%	1.2	1.89	5.74	75%	2.0	2.10
Energy transition																				
Oil and gas	0.3	0.03	0.10	13%	1.8	0.23	0.70	7%	2.6	2.43	0.2	0.02	0.06	9%	2.1	0.18	0.54	7%	2.8	2.57
Power generation	0.1	0.01	0.04	5%	2.4	0.06	0.17	2%	11.3	1.49	0.4	0.02	0.07	10%	1.9	0.04	0.11	1%	3.8	0.46
Sector-based facilitated emissions																				
Non-sector-based facilitated emissions	4.7	0.15	0.44	56%	1.2	2.54	7.68	77%	2.1	1.56	3.8	0.17	0.51	71%	1.4	2.15	6.5	85%	2.2	1.83
Total Bank facilitated emissions	14.0	0.11	0.35	44%	2.2	0.76	2.32	23%	2.7	0.20	10.8	0.07	0.21	29%	2.4	0.37	1.12	15%	2.8	0.12
Total Bank facilitated emissions	18.7	0.26 ^④	0.79 ^④	100%	1.9 ^④	3.30 ^④	10.00 ^④	100%	2.5 ^④	0.58 ^④	14.6	0.24 ^④	0.72 ^④	100%	2.1 ^④	2.52 ^④	7.62 ^④	100%	2.7 ^④	0.57 ^④
Green use of proceed facilitated emissions ¹	1.8	0.03	0.08		1.9	0.25	0.77		2.5	0.48	0.8	0.03	0.09		2.1	0.22	0.66		2.6	0.99

¹ Our primary green bond issuances are included separately and we have attributed full emissions weightings (33% and 100% of our total bookrunner apportionment).

^④ Indicator is subject to Limited ISAE 3000 (revised) and ISAE 3410 assurance by Deloitte LLP for the Sustainability Reporting. Deloitte's 2025 assurance statement and the sustainability metrics basis of reporting are available online in [sustainability downloads](#) →

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→ Client Transition Plans

The transition plans of our clients are key to the delivery of our own Group Transition Plan. In line with our ambition to become a leader in the energy transition, by understanding our clients' transition strategies, we can identify key opportunities arising from the transition to a low-carbon economy.

Our transition planning insights and technical expertise are offered to clients seeking support to develop and deliver their sustainability strategies and to finance innovative transition solutions.

“

Lloyds Banking Group has provided great assistance with regards to our Better with Bellway sustainability strategy, from supporting our NextGeneration submission (a housebuilding sustainability benchmark) to reviewing our draft Climate Transition Plan, we can rely on Lloyds Banking Group to provide high quality advice.”

Simon Park
Head of Sustainability Bellway

Every year our subject-matter experts review our priority clients' transition plans to support engagement and financing decisions. Close engagement and collaboration with our clients is a key investment into these relationships, supporting us in truly understanding their businesses. We identify where they may need our support to achieve their decarbonisation ambitions, where we can act as trusted advisers, and seek out financing opportunities that can help drive a real-economy transition.

These enhanced Client Transition Plan (CTP)¹ assessments sit alongside our ESG risk assessments undertaken as part of the credit risk assessment process. ESG risk assessments cover 96% of clients in our Corporate and Institutional Bank and consider a broader range of ESG considerations as well as transition planning elements. These assessments support our understanding of climate risks and opportunities across our client portfolio and are further built upon by the enhanced CTP assessments for priority clients to drive engagement.

In 2025, our CTP framework expanded to consider impacts and dependencies on nature alongside climate. We piloted just transition considerations within assessments for the first time in the real estate & housing sector.

We align our approach with best practice² as this space matures and welcome increased interoperability in regulations and disclosures. We are actively engaged across the industry, with standard setters, data providers, peers and our clients, striving for increasing standardisation in transition planning approaches to alleviate the multiple reporting responsibilities which corporates face.

The UK government is exploring options for mandating transition plan disclosures³, making this topic highly relevant for our largest corporate clients. Additionally, the industry is developing its understanding of the role of client-level transition assessment within transition finance definitions⁴.

1 From 2025, our internal Credible Transition Plans (CTPs) assessment methodology will be known as Client Transition Plans. This underscores our commitment to understanding our clients' transition challenges and opportunities to finance their decarbonisation strategies as they manage their response to changing guidance and reporting standards.

2 Transition Plan Taskforce guidance (whose work has been carried forward by the International transition Plan Network (ITPN)), IFRS foundation guidance, the Transition Finance Council.

3 Transition plan requirements: implementation routes (accessible webpage) – GOV.UK →

4 Transition Finance guidelines: Consultation on entity-level Transition Finance Guidelines.

Understanding our Client Transition Plans

To help us better understand risks and opportunities, corporate clients are covered by multiple layers of client transition assessments.

Initial Assessment: Transition Risk

96% of corporate clients in our Corporate & Institutional Bank included within ESG Tool Climate Risk Assessment.

→ Streamlined assessment completed as part of ESG credit risk identification and assessment framework

→ See page 127

Outcomes:

Embed outcomes into our multi-factor risk decisioning processes. Informs our sector and client level risk appetite.

Enhanced Assessment: Client Transition Plans (CTP)

Priority clients covered by annual in-depth CTP assessment

In 2025:

- Undertook 108 detailed CTP assessments, representing £14.7 billion of drawn lending
- Sector coverage: oil & gas, power & utilities, aviation, auto OEMs, road transport, manufacturing, leisure, food & drink, and retail
- Factors considered: climate, nature and just transition (pilot for real estate & housing)

Outcomes:

- Provide greater understanding of client transition activities supporting financing decisions aligned to the transition
- Identify opportunities to support a real-economy transition through finance
- Utilise client engagement to support client in maturing their transition planning

Leveraging CTP for Direct Client Engagement

Highly detailed, bespoke assessments are leveraged, where appropriate, to hold impactful direct engagements with clients

→

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Purpose in action

Financing the transition: HyNet Carbon Capture, Utilisation and Storage

In April 2025, Lloyds Banking Group supported the £2.5 billion financing package for the UK CCS, HyNet CO₂ Transport and Storage Project owned by Eni, a global energy company.

Under a first-of-a-kind framework supported by the UK government, Liverpool Bay CCS Limited (or Eni) will deliver new and repurposed onshore and offshore infrastructure to transport CO₂ emissions from industrial facilities within the Track One HyNet North West Cluster, for permanent storage in depleted offshore gas reservoirs in the Irish Sea. This initiative is critical for decarbonising hard-to-abate sectors such as energy-from-waste, cement manufacturing and low-carbon hydrogen production.

Aligned with the UK government's ambition to capture and store 20–30 million tonnes of CO₂ per annum by 2030, HyNet is expected to play a pivotal role in the UK's Net Zero strategy. From targeted start-up in 2028, the project will have an initial storage capacity of 4.5 million tonnes of CO₂ per annum, with potential to increase to 10 million tonnes per annum in the 2030s as additional emitters join the cluster.

The project will meaningfully contribute to the local economy, with the expected creation of 2,000 jobs during the initial construction phase and further employment opportunities generated through wider regional investment, supporting our purpose of Helping Britain Prosper.



SDG 9.4

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

Link to strategy



Key 2025 insights and actions

As we engage with our clients, we seek to understand their transition priorities and work with them to achieve their transition ambitions:

- **Transition Planning momentum grows:** more clients are developing transition plans than in any previous years, with some publishing further iterations as their strategy evolves. Around 60% of clients assessed in 2025 are demonstrating progress towards mature capital allocation aligned with their transition plan
- **Going Beyond Climate:** increasing emergence of nature and social impacts beyond climate weaving into transition planning, with companies grappling with how to interlock nature & social impacts to drive a more holistic just transition
- **International Divergence:** increasing divergence in transition planning requirements is a challenge for international interoperability of standards. Regulation and policy is a key driver of corporate ambitions & disclosures, with jurisdiction often driving corporate engagement
- **Dependence on Technology:** in sectors where the development and scale-up of commercially viable technologies are still uncertain, there is a lack of confidence in aligning with ambitious decarbonisation pathways

Next steps: 2026 and beyond

- **Identify the opportunities from the transition:** meeting our clients' transition finance needs, supporting key enabling technologies, and driving impact through green & transition finance
- **Prioritise engagement with our priority clients & leveraging our expertise to scale our support:** leverage CTP to provide decision-useful information and consider transition as part of strategic decisions and in risk processes
- **Continue engagement across industry:** striving for increasing standardisation in approaches
- **Remain dynamic & agile as this space matures:** aligning with industry guidance as corporate reporting requirements evolve and offering bespoke advice to support our clients



Voluntary Carbon & Nature Markets (VCNM)

For a business to transition credibly, they need a long-term plan to guide their journey, with clear near-term and long-term targets.

Last year we updated our guidance to provide more granularity on how participation in the Voluntary Carbon Markets (VCM) can align with net zero transition plans.

Through the use of carbon markets, businesses can take responsibility for the impact of their ongoing emissions as well as neutralising the impact of their residual emissions by their net zero target year and thereafter.

Voluntary Carbon Markets

Over the past year, VCM has experienced significant growth and development, reflecting broader trends in climate action, regulatory shifts and private sector commitments to sustainability.

A push for standardisation and integrity has resulted in clearer rules and safeguards, with the publication of the UK government's Principles for Voluntary Carbon and Nature Market Integrity, the Integrity Council for the Voluntary Carbon Market (ICVCM) Core Carbon Principles and the SBTi's revised Corporate Net-Zero Standard.

At the start of 2025, we established a dedicated VCM team, whose strategy focuses on helping businesses navigate the market in order to reduce, avoid and remove emissions as well as financing high integrity carbon removal projects.

To learn more about the team, please read our [Carbon and nature markets page](#)→

Supporting our clients address their residual and ongoing emissions

Many companies are setting long-term and interim goals to achieve net zero emissions. By addressing residual and ongoing emissions sooner, businesses can make meaningful progress towards these targets whilst securing a stable supply of high integrity carbon credits and future-proofing against climate-related risks and potential regulatory requirements.

We support clients through the provision of an end-to-end offering including developing carbon offsetting strategies and curating portfolios of high-quality credits through spot, forward and offtakes purchases. As the market continues to evolve at pace, we are working with a broad range of market participants within the VCM ecosystem, including policymakers, standard setters, rating agencies, project developers and buyers.

Scaling carbon removals and nature finance

Carbon removal technologies including biochar, direct air capture, reforestation and soil carbon sequestration, play an essential role in reducing carbon dioxide, but many of these solutions require large-scale deployment of funding to mature and scale to meet future demands.

Lloyds Bank's VCM strategy seeks to structure financial products that enable businesses to invest in carbon removals while providing capital needed to support the research, development and growth of these technologies.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system | Scottish Widows

Transition plan by system

Our focus remains on four key systems where we believe we can leverage our scale and reach in the market and the financial services and products we offer to support the transition to net zero.

Our systems

 Energy transition
See page 86

 Greening the built environment
See page 91

 Low carbon transport
See page 100

 Sustainable farming and food
See page 107

The systems engage with where we live through greening the built environment, how we move through low carbon transport, how we farm through a sustainable farming and food system, and the energy we use through an energy transition system.

Through 2025, we have continued to strengthen our transition plan, focusing on the actions that will most effectively advance our ambitions while remaining responsive to an evolving external environment and our wider system dependencies where the pace of global change is not yet on a 1.5 degree trajectory.

As part of this work, we monitor and forecast our financed emissions to 2030 for our sector targets, comparing our strategic decarbonisation pathway with the projected decarbonisation pathway of the UK. These forecasts carry limitations due to the availability of data, market developments, policy shifts and key dependencies that we cannot control on our own that could pose risks in achieving our ambitions.

Our system-level analysis indicates that, in energy transition and low-carbon transport, the Group is on track to decarbonise faster than the UK overall. This reflects factors such as our lending composition, the size of our portfolio, and global nature of certain portfolios. Energy transition has been supported by our CTPs along with increased renewables lending in the Power sector. Progress in low carbon transport has been supported by the transition to low emission vehicles in our Retail motor business.

For the Greening the built environment and Sustainable farming and food systems, our projected 2030 decarbonisation is expected to closely align with the UK, consistent with our balance sheet composition closely mirroring the UK sector mix.

Group vs UK expected 2030 decarbonisation by system

Energy transition			
Greening the built environment			
Low carbon transport			
Sustainable farming and food			

Key

 Decarbonising faster than the UK  Decarbonising in line with the UK

Our progress updates in the sector transition plans include our latest view of the emissions intensity reductions progress to date in our portfolios, as well as the risks and dependencies that could affect our ability to meet the 2030 sector target positions.

For further details please see the sector updates within the transition plans.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | **Transition plan by system** continued | Scottish Widows

→ Supporting nature

In 2024, COP16 focused on implementation, where a major theme was on mobilising resources and aligning financial flows to meet the goals and targets of the Global Biodiversity Framework (GBF) and in 2025 parties to the Convention on Biological Diversity (CBD) revised and updated National Biodiversity Strategies and Action Plans (NBSAPs) to align with the GBF.

In 2025, we worked with UNEP-WCMC and others to advocate for policymakers to use this opportunity to include considerations related to the private finance sector within biodiversity policies and associated activity. Through engaging with and leveraging the insights and expertise of financial institutions, governments can ensure that their national responses to the GBF, including the UK's, are financially viable and that they can support financial institutions to provide capital in support of NBSAPs.

This in turn allows financial institutions to consider their role in national and sector level nature financing needs, aligning financial flows with nature protection and restoration as part of public-private collaboration in support of national goals.

In response we have continued to understand and act on nature-related risks and opportunities in line with the Taskforce on Nature-related Financial Disclosures (TNFD).

Our refreshed 2025 nature materiality assessment using the Exploring Natural Capital Opportunities, Risk and Exposure (ENCORE) tool and underlying data has continued to support the prioritisation of Agriculture and Commercial & Residential Real Estate (C&RRE) as the areas that could present the most material nature-related risks and opportunities.

For these priority sectors, and our own operations (page 68), we partnered with Earth Blox, a geospatial data and analysis platform, to produce a TNFD LEAP-aligned Proof of Concept that allows us to understand how our clients interact with the natural environment, and how their activities both impact and depend on nature. Due to the importance of understanding the nature-related impacts and dependencies, we mapped over 70,000 C&RRE securities and over 10,000 agricultural clients; for our agricultural clients, the totality of mapped clients covered almost one third of UK farmland.

By combining geospatial and environmental data, we have been able to understand where our clients and own operations interface with sensitive locations. We have carried out this assessment in line with the TNFD definition of sensitive locations, considering:

- Areas important for biodiversity, including species; and/or
- Areas of high ecosystem integrity; and/or
- Areas of rapid decline in ecosystem integrity; and/or
- Areas of high physical water risks; and/or
- Areas of importance for ecosystem service provision, including benefits to Indigenous Peoples, Local Communities and stakeholders

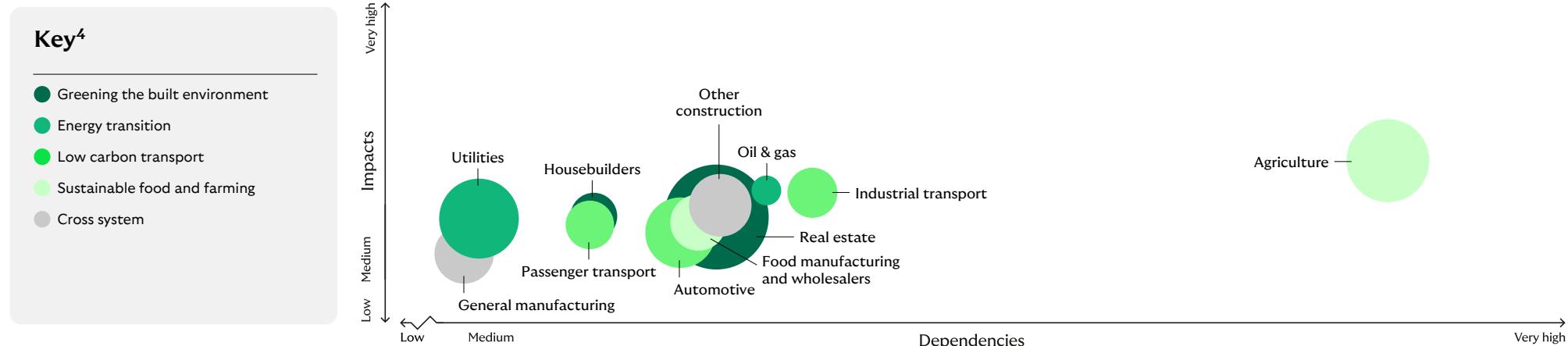
We've been able to track pressures like water demand and fertiliser use that impact the ability of nature to deliver ecosystem services, whilst simultaneously growing our understanding of the extent to which our clients rely on these services, such as protection from extreme weather events like storms and flooding, pollination services, and the supply of clean water.

In addition to this, we have also piloted a framework that considers the nature-related impacts and dependencies of that climate levers and guardrails that support us to meet our climate targets for C&RRE (page 96) and Agriculture (page 109).

This framework was designed to explore synergies and trade-offs between climate mitigation and nature impacts and dependencies, and to develop a core set of nature-related actions to mitigate any identified synergies or trade-offs.

As part of our transition planning, these nature-related actions are now being considered as our system strategies continue to evolve and as we continue to understand the climate-nature nexus more broadly.

2025 Nature Materiality Assessment^{1,2,3}



¹ Size of bubble corresponds to lending as of 31 December 2025, see page 77. There are minor adjustments between financial figures reported on page 77 and those used in the Materiality Assessment, for example the separation of real estate and social housing, to recognise differing impacts and dependencies of the specific activities we lend to. Refer to page 77 for the breakdown of our lending portfolio, as bubble sizes cannot be used for accurate calculation of total lending.

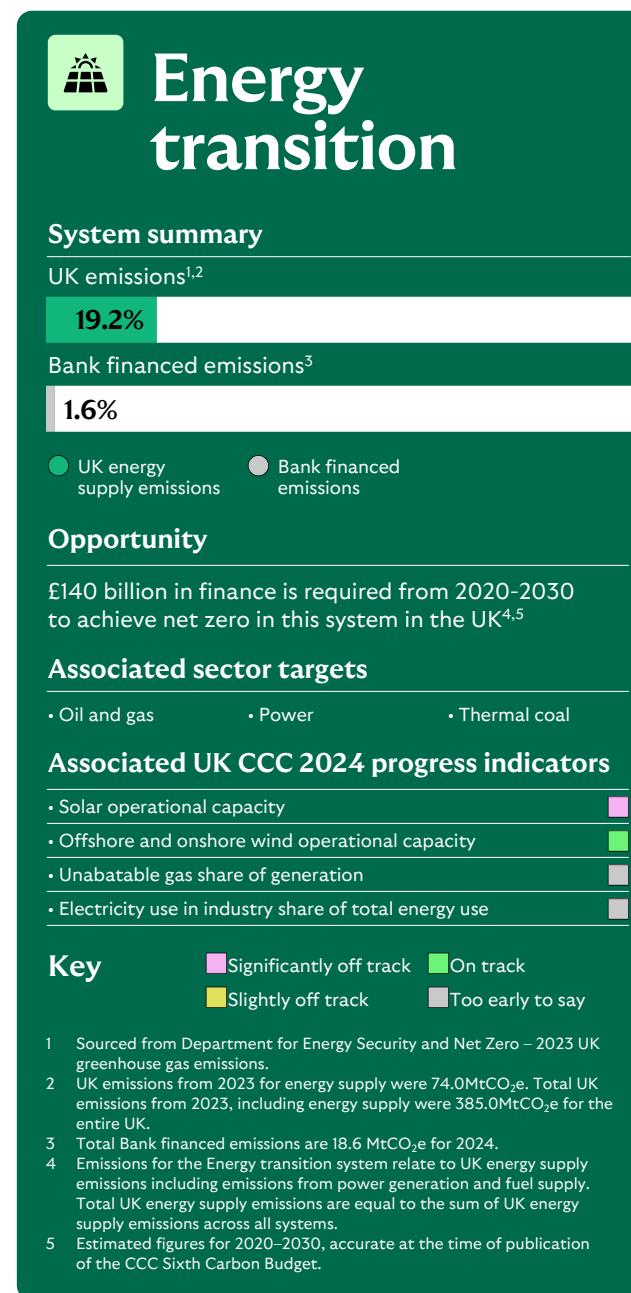
² The axis labels from "Low" to "Very High" represent relative positions for ease of interpretation. Underlying scores are scaled using a logarithmic function, so intervals are not linear.

³ ENCORE knowledge base, the basis of this assessment, considers pressures; a single pressure may lead to multiple impacts (changes in the state of nature, which can impact the capacity of nature to provide social and economic benefits). We've referred to the axis as impacts as this is commonly understood terminology.

⁴ Whilst all lending activity was considered within our Nature Materiality Assessment, aggregated ENCORE pressures and dependencies are displayed for our most material sectors aligned with our four key systems.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system continued | Scottish Widows



System focus

The energy transition system addresses the supply, generation, transmission, distribution and use of liquid, gas or electrical energy sources throughout society, emphasising the shift from high carbon sources towards a lower carbon integrated system.

The energy transition offers a key commercial opportunity. The UK government's Clean Power 2030 Action Plan⁶ sets the target for 95% of the UK's electricity generation to come from low-carbon sources by 2030. This requires an estimated £40 billion annual investment, with a strong role for private finance where supported by public policy and funding.

This energy transition enables the decarbonisation of other systems and sectors such as the electrification of passenger transport or domestic heating, backed by flexible generation and storage technologies including EVs, batteries and pumped hydro. The energy transition also supports energy security through the reduction of reliance on imported fossil fuels.

Protecting jobs and communities is critical, given the sector's employment footprint. This will require large-scale re-skilling, targeted regional investment, and clear policy signals to maintain confidence and attract private capital.

Strongly aligned with our wider purpose pillars, the energy transition offers opportunities for regional growth across the UK such as through planned Carbon Capture, Utilisation & Storage (CCUS) and hydrogen clusters in historically industrial areas, including the repurposing of existing infrastructure for carbon capture and hydrogen, in turn supporting growth.

More broadly the UK's energy transition could support an estimated 400,000 extra jobs nationally by 2030⁷. The North East Combined Authority aims to create 25,000 clean energy jobs by 2035, see [page 43](#) for details of our involvement.

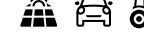
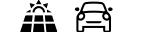
£140bn

required by 2030 to achieve net zero in the UK energy transition

6 Clean Power 2030 Action Plan →

7 Clean energy jobs boom to bring thousands of new jobs →

Current areas of focus

Value chain segment	System interactions	Changes needed						
Energy production		<ul style="list-style-type: none"> Renewably powered electricity generation including decentralised systems Nuclear energy and other non-intermittent electricity generation Hydrogen infrastructure, alternative fuels, carbon capture and storage 						
Transmission and distribution		<ul style="list-style-type: none"> Smart and flexible energy grid to balance intermittency supplemented with increased energy storage and built in future capacity (pumped storage, batteries, including vehicle batteries, renewable hydrogen) Low carbon heat networks 						
Customer end-use		<ul style="list-style-type: none"> A reduction in energy demand across buildings, transport and manufacturing Access to affordable energy (electricity, heat) 						
Systems Key		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; padding: 5px;">  Energy transition </td> <td style="width: 33%; padding: 5px;">  Low carbon transport </td> <td style="width: 33%; padding: 5px;">  Sustainable farming and food </td> </tr> <tr> <td style="width: 33%; padding: 5px;">  Greening the built environment </td> <td style="width: 33%; padding: 5px;"></td> <td style="width: 33%; padding: 5px;"></td> </tr> </table>	 Energy transition	 Low carbon transport	 Sustainable farming and food	 Greening the built environment		
 Energy transition	 Low carbon transport	 Sustainable farming and food						
 Greening the built environment								

Key dependencies
Planning and grid connection constraints which can limit the speed of deployment for required technologies.
Supply chain constraint and skills shortages slowing manufacture and construction of technologies.
Bankability and scalability of newer technologies resulting from nascent business models, revenue streams and uptake.

Supporting the UK's transition continued

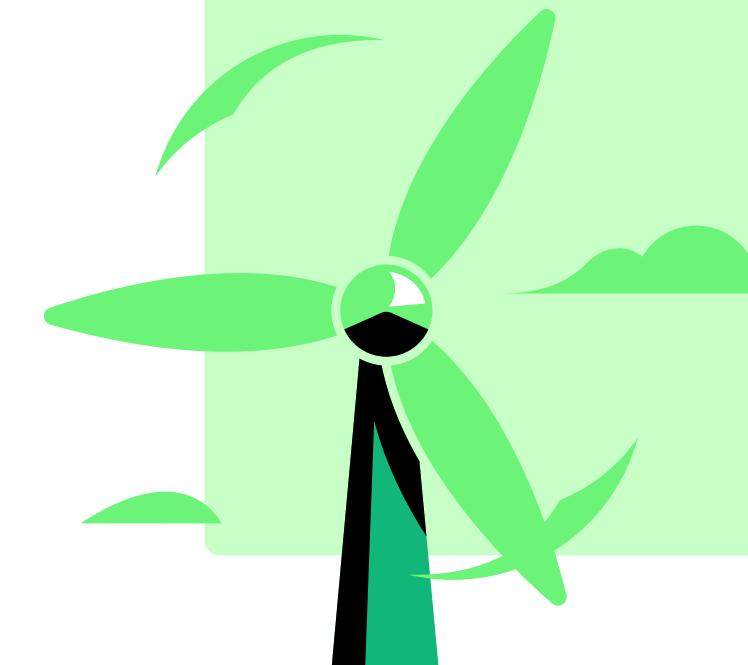
Own operations | Supply chain | Banking activities | **Transition plan by system** continued | Scottish Widows

Energy Supply Financing Ratio (ESFR)

As part of our commitment to supporting the transition, we are assessing new ways to measure the impact of our financing decisions and recognise the need for transparent and credible metrics that demonstrate how our financing decisions influence the global energy transition. While traditional financed emissions targets remain essential, they do not fully capture the directional flow of capital towards low-carbon solutions.

To address this, we are exploring the introduction of an ESFR as a measure of the ratio of financing we provide for low-carbon energy supply compared to fossil fuel energy supply. This metric will provide the Group with a clear view of how our lending and investment activities are shifting to enable the transition to a resilient, low-carbon economy and will complement our sectoral decarbonisation targets, helping us to monitor progress against our transition plan.

The ratio will be piloted alongside our existing financed emissions metrics, with the aim of integrating it into our public disclosures in future reporting cycles. By introducing the ESFR, we aim to provide a more holistic picture of our role in supporting and financing the energy transition – moving beyond emissions accounting to focus on the flow of finance that shapes the future energy system.



2026 look ahead system actions

The Group recognises the significant opportunity presented by the UK government's Clean Power 2030 ambitions, and has undertaken extensive analysis of the modelled potential growth of key renewable and low-carbon technologies to enable a decarbonised power system across the UK. Leveraging this analysis, we are aligning current and future growth strategies in order to continue playing a leadership role in this transition. The energy transition is a strategic priority for our clients, society and government. We recognise that achieving these ambitious plans will require the alignment of private finance with public frameworks. Our strong franchise and proven track record position us well to lead in the UK and to explore opportunities in other markets. While most growth in the energy transition will come from proven technologies, delivered through our existing client base, we also acknowledge the need for additional solutions, technologies and businesses to meet future demands.

Purpose in action

Statera CarrEx

In 2025, Lloyds Bank acted as Sole Structuring Bank and Mandated Lead Arranger, successfully closing a £235 million greenfield portfolio financing for one of the UK's largest Battery Energy Storage System (BESS) projects. The financing supports the construction of the Carrington BESS plant (680MW/1,360MWh) in Greater Manchester.



The project developer, Statera Energy, builds, owns and operates storage and flexible generation technologies, providing clean and secure energy. Statera is wholly owned by the global infrastructure investor, EQT Infrastructure. With over 2GW of capacity already delivered or under construction, this transaction strengthens Statera's role in addressing the UK's energy 'trilemma' – delivering lower costs, greater security, and a cleaner power system.

By enabling large-scale battery storage, it accelerates the UK's Net Zero transition, supports renewable integration, and ensures grid stability. The project will deliver the flexible capacity needed to balance supply and demand, and maintain reliable electricity for homes and businesses. A clear example of the Group Helping Britain Prosper.



SDG 7.1

By 2030, ensure universal access to affordable, reliable and modern energy services.



SDG 9.4

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

Link to strategy



Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | **Transition plan by system** continued | Scottish Widows



Oil and gas

The oil and gas sector plays an important role in providing energy security to the UK and its decarbonisation is critical to limiting global warming to 1.5°C.

Target

50%

oil and gas absolute emissions reduction (MtCO₂e) between 2019 and 2030

Target to reduce absolute drawn financed emissions (scope 1, 2 and 3) by 50% by 2030 from a baseline of 7.2MtCO₂e in 2019 to 3.6MtCO₂e in 2030, based on the IEA NZE scenario¹.

In our oil and gas portfolio, we originally set a target to reduce absolute emissions by 50% by 2030 to 3.9MtCO₂e from a baseline of 6.4MtCO₂e in 2019. The 2019 portfolio baseline has been restated to 7.2MtCO₂e primarily due to correction of manual errors for two clients, as well as updates and improvements to our processes.

¹ The International Energy Agency Net Zero Emissions 2050 (IEA NZE 2050) as defined in our sustainability metrics basis of reporting which is available in our [sustainability downloads](#) →

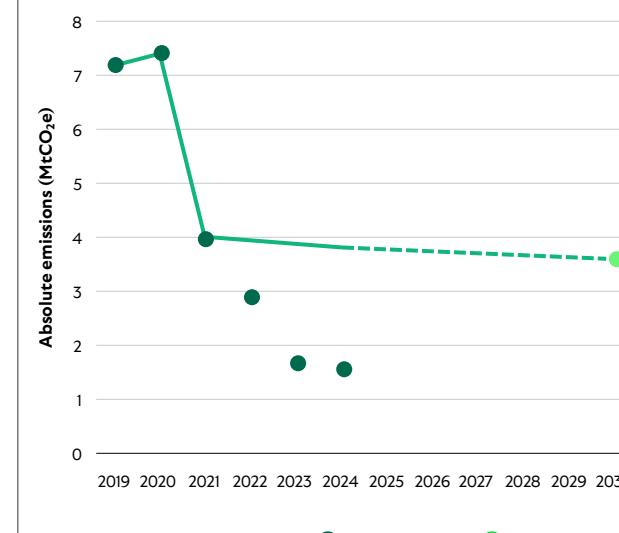
² For our absolute targets we display the forward looking year-on-year reduction required from the Scenario Pathway as our Reference Pathway, as the scale required for the country or global level Scenario Pathway would make our reference pathway unreadable.

Progress update

At year-end 2024 we had reduced financed emissions by 78% from the 2019 baseline of 7.2MtCO₂e, reaching 1.6MtCO₂e, driven by both a reduction in drawn balances and a reduction in reported client emissions.

Taking into account energy security, geopolitical factors and just transition considerations, we continue to strategically review our portfolio composition to ensure alignment with net zero objectives and our commitment to Helping Britain Prosper, while also supporting other strategic portfolios such as those in the US.

Oil and gas absolute emissions reduction 2019 to 2030²



Achievement of target pathways is contingent on market developments, policy shifts and dependency assumptions. Please see the Risks and dependencies section.

Risks and dependencies

Energy security remains a critical dependency, particularly amid ongoing heightened geopolitical risks and global supply chain pressures. As the UK transitions, we will continue to need to consume oil and gas for some time. According to the National Energy System Operator's Future Energy Scenarios 2025 gas will feature in the energy mix until at least 2040 and beyond. Whilst oil is no longer part of the UK's energy mix, it plays a major role in the UK's overall energy system, particularly in transport as well as the wider economy. Declining domestic production may result in increased reliance on imports, exposing the UK to global price uncertainty and security risks combined with geopolitical risks and supply disruptions.

Ongoing concern in the UK over the cost of living also presents risks to net zero delivery. Considerable focus remains on household and business energy affordability. Higher and/or more volatile bills could result in an erosion of support for transition policies thus slowing deployment of the very technologies (renewables, networks, flexibility) that reduce costs over time.

Maintaining enough secure, affordable domestic supply during a managed decline and just transition is therefore a core dependency for a smooth net-zero pathway.

The UK government's strategy prioritises accelerating investment in clean energy technologies while reducing reliance on imported fossil fuels, and is underpinned by policy such as the Clean Power 2030 Action Plan. Our focus is on supporting clients to adopt an increasing proportion of non-hydrocarbon-based power generation and lower the carbon intensity of their operations, including enabling access to finance for renewable and transition projects and clean technology.

Our actions

As part of our commitment to supporting the transition to a low-carbon economy, this year we continued our in-depth review and consideration of clients' transition-related targets, commitments and progress. For more information on our CTP process see [pages 82 to 83](#).

The latest IEA NZE 2050 scenario in the 2025 World Energy Outlook focuses on upstream investments to maintain production from existing fields, as in the absence of such investment their natural decline rates would exceed the rate of decline of fossil fuel demand in the scenario. In 2025 we have maintained our approach not to finance new greenfield oil and gas developments, while supporting activities within existing assets. Further information on our sector-specific criteria for managing environmental and social related risks within this sector can be found in our [External Sector Statements](#) →



Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | **Transition plan by system** continued | Scottish Widows



Power

Companies in the power sector generate electricity from fossil fuels, nuclear or renewable sources.

Scaling up low-carbon electricity generation remains essential to support the transition of other sectors, such as the electrification of heating and transport. In 2024, wind became the UK's largest source of electricity generation for the first time, accounting for 30%. Renewables supplied over 50% of Britain's electricity for four consecutive quarters, a trend that continued into 2025¹.

Target

81%

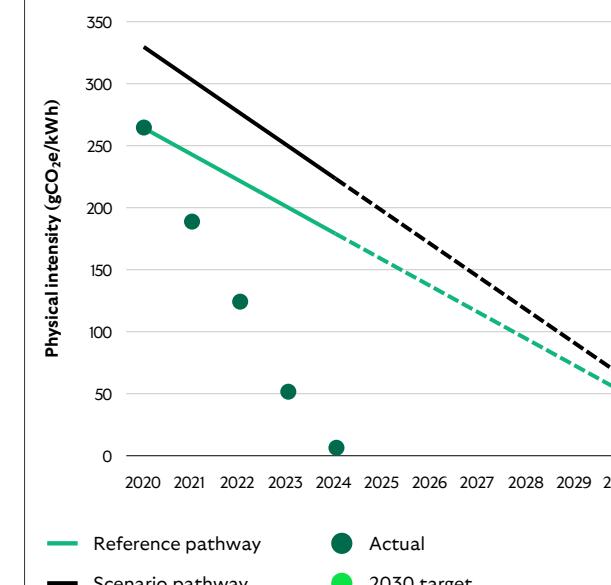
power emissions intensity reduction
(gCO₂e/kWh) between 2020 and 2030

We have set a target to reduce emissions intensity of the power generation portfolio (scope 1 and 2) by 81% by 2030 from a baseline of 264gCO₂e/kWh in 2020 to 51gCO₂e/kWh by 2030, based on the IEA NZE scenario. The 2020 portfolio baseline has been restated from 276gCO₂e/kWh to 264gCO₂e/kWh.

Progress update

At year-end 2024, we have reduced the emissions intensity of our power portfolio by 98% from the 2020 baseline of 264gCO₂e/kWh, reaching 6gCO₂e/kWh. The decrease in intensity between 2020 and 2024 is driven by reduction in exposure to higher intensity projects or clients coupled with significantly increased lending to renewable projects.

Power emissions intensity reduction 2020 to 2030



Achievement of target pathways is contingent on market developments, policy shifts and dependency assumptions. Please see the Risks and dependencies section.

1. [UK renewable energy statistics](#) →
2. [European green deal](#) →

Risks and dependencies

Government policy remains a critical driver of the UK and Europe's energy transition, shaping investment decisions and client strategies. In the UK, the Clean Power 2030 Action Plan sets the target to deliver 95% of electricity generation from low-carbon sources by 2030, supported by investment in offshore and onshore wind, solar and nuclear.

Across Europe, the European Green Deal continues to drive climate neutrality by 2050, with new binding targets to cut emissions by 90% by 2040, compared to the 1990 baseline². We expect that this will help to prioritise renewable deployment and clean technology investment, while addressing affordability and resilience concerns.

Energy security remains a priority alongside decarbonisation, but delivery risks are important. Competition for projects, supply chain constraints, rising costs of critical minerals and components, shortages of skilled labour, and delays in grid upgrades and connections all pose challenges. These risks underscore the need for coordinated policy, strong industry collaboration, and investment in enabling infrastructure to secure resilience and accelerate the transition.

While these ambitions reflect the UK and European context, progress in other regions, such as the US, may differ due to variations in policy frameworks and regulatory timelines.

Our actions

As part of our commitment to supporting the transition to a low-carbon economy, this year we continued our in-depth review and consideration of each client's transition-related targets, commitments and progress. For more information on our CTP process see [pages 82 to 83](#).

This year, we partnered with the Office for Investment and the North East Mayor to launch a strategic initiative to scale up green energy investment in North East England, supporting the £160 million UK government-backed North East Investment Zone for offshore wind, renewables and EVs.

We continue to increase investment in renewables and the energy transition, aiming to lead in financing decarbonisation across solar, carbon capture, nuclear, wind, and other low-carbon technologies.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system continued | Scottish Widows

Purpose in action

Sizewell C

As the UK transitions to a low-carbon economy, securing reliable energy sources is critical. With five of six existing nuclear plants scheduled to retire by 2030, new nuclear capacity is essential to strengthen energy security, achieve net zero by 2050, and complement renewable generation.

We are proud to have provided a £633 million debt commitment towards Sizewell C, a new nuclear power station in Suffolk. Our support forms part of a ~£38 billion public-private financing package for the construction of the nuclear plant. Once operational, Sizewell C will provide around 7% of the UK's electricity, powering 6 million homes for more than 60 years.

During construction, this project is expected to support on average 8,800 jobs per annum and create 1,500 apprenticeships and is committed to investing £4.4 billion in the East of England.

Lloyds Bank's debt commitments and multiple roles demonstrate its ability to deliver complex, large-scale infrastructure financing, acting as a trusted partner for clients navigating the energy transition.



SDG 9.b

Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.



SDG 17.17

Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

Link to strategy



Thermal coal

We recognise the urgent need for the global transition away from thermal coal to renewable energy sources. Keeping the Paris Agreement alive means that the use of unabated coal power must be phased out.

The UK government's definition of 'unabated coal' power generation refers to when technologies, such as carbon capture and storage, which can mitigate emissions from coal, are not in use. In November 2021, we joined the Powering Past Coal Alliance (PPCA), a coalition of national and sub-national governments, businesses and organisations working to advance the transition from unabated coal power generation to clean energy. Our direct lending activity complies with the PPCA principles and we have committed to a full exit by 2030 from all diversified energy entities that generate energy from thermal coal and diversified mining entities that operate thermal coal facilities. We do not provide insurance for the power industry and we do not have policies in place for advisory services or underwriting activity that cover PPCA-related activity.

We may provide finance to entities towards reducing their thermal coal portfolio (including decommissioning facilities or retrofitting of existing facilities to help them transition away from thermal coal), in line with our 2030 phase-out timelines noted above. However, we will not directly finance retrofit activities that prolong the life of existing thermal coal facilities.

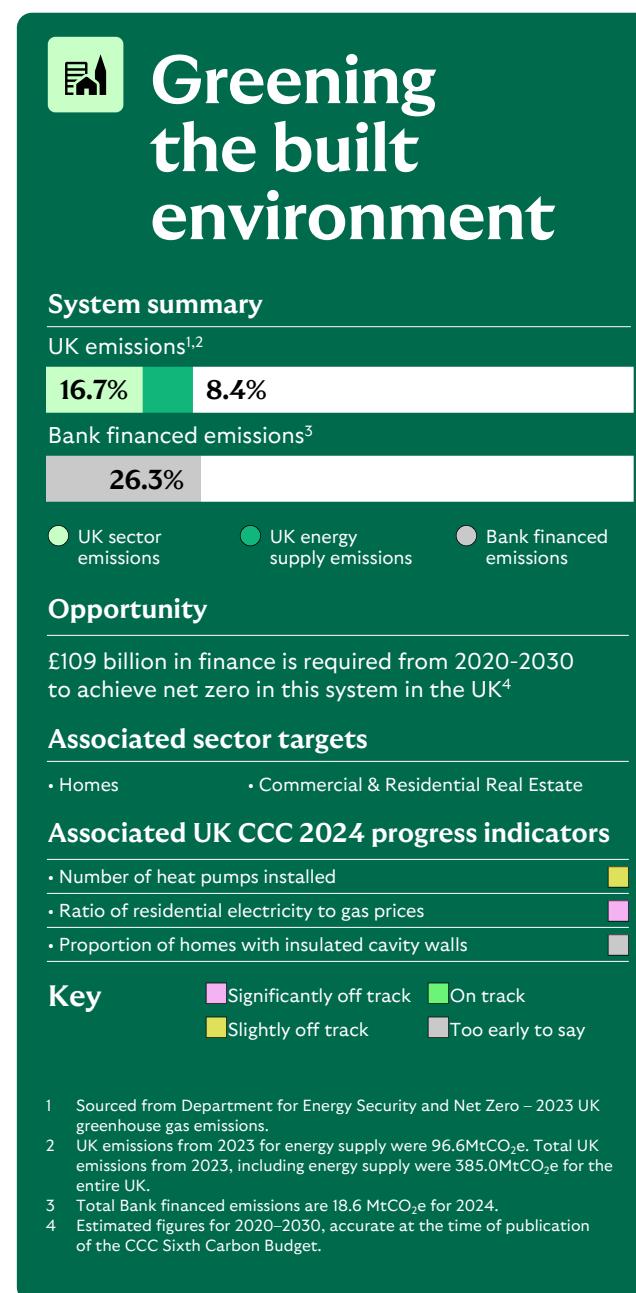
Target

Full exit

by 2030 from all diversified energy entities that generate energy from thermal coal and diversified mining entities that operate thermal coal facilities.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system continued | Scottish Widows



System focus

The built environment is a material and complex system that includes residential owner-occupied, buy-to-let landlords, house builders, social housing and commercial real estate clients that have both residential and non-residential properties in their portfolio.

We aim to accelerate our financed participation in the construction, retrofit and operation of the UK's residential and commercial buildings towards net zero. At the same time we will focus on the physical impacts of climate change with 6.3 million properties across England at risk of flooding – a number expected to increase to 8 million by 2050¹.

80% of the domestic buildings that will exist in 2050 already in existence, with estimates placing the investment requirements for housing alone at £250 billion by 2050². Retrofit is therefore a primary focus.

Another key area of focus concerns energy-efficient new builds, which offer lower emissions and are increasingly impacted by Biodiversity Net Gain requirements, providing the opportunity to enhance nature outcomes both within and beyond developments' boundaries.

Poor housing conditions caused by cold, damp and poorly ventilated homes currently cost the NHS around £1 billion annually³ to treat respiratory, cardiovascular and mental health issues.

Retrofitting homes with insulation, efficient heating and proper ventilation can reduce these risks substantially.

We are working with clients and industry partners to support the delivery of thermally efficient buildings that offer lower energy use and associated costs and to address associated skills shortages. We are also responding to the demand from customers, both owner occupiers and property landlords, for solar and battery solutions. This delivers on our broader purpose pillar of empowering a prosperous future, supporting regional development and access to quality and affordable housing.

¹ National assessment of flood and coastal erosion risk in England 2024 →

² The Sixth Carbon Budget The UK's path to Net Zero →

³ New Bradford study investigates the impact of energy efficiency retrofits on indoor air quality, health, and the environment →

Current areas of focus

Value chain segment	System interactions	Changes needed
Planning, design & commissioning	🏗️ 🚗	<ul style="list-style-type: none"> • Design for efficient construction, easy repairability and end-of-life disposal or re-use • Adequate environmental considerations are designed in, including nature and adaptation and resilience measures
Construction	🏗️ 🚗	<ul style="list-style-type: none"> • Use of non-fossil fuel powered vehicles, machinery, energy generation and equipment • Adequately skilled and sized workforce to meet construction methods, standards and needs • Avoid pollution of the environment and habitat destruction from construction processes and equipment
Operation & maintenance	🏗️ 🏠 🚜	<ul style="list-style-type: none"> • Building optimisation, repairs and occupant behaviour change to maximise building life • Maintenance of onsite biodiversity and natural spaces • Solutions to address and reduce climate related damage (e.g. Nature Based Solutions)
Re-use & refurbishment	🏗️ 🏠 🚗 🚜	<ul style="list-style-type: none"> • Deployment of energy and water efficiency measures as part of domestic and commercial refurbishments • Displacement of gas boilers and heating with renewable or electrical alternatives • Recycling of waste on and offsite
Occupancy	🏗️ 🚗	<ul style="list-style-type: none"> • Overall reduction in waste generated e.g. municipal • Increase in recycling rates • Occupant behaviour to maximise energy efficiency, minimise water usage/wastage and minimise impact on nature • Energy demand response mechanisms

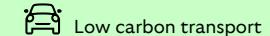
Systems Key



Energy transition



Greening the built environment



Low carbon transport



Sustainable farming and food

Key dependencies

Delinking of electricity pricing from gas to support the economics of moving to electrical heating solutions such as heat pumps.

Supply chain and skilled workforce impacting the potential speed of installation/maintenance of energy efficiency solutions and technologies.

Energy efficiency standards and measures applicable to new and existing residential and non-residential buildings to ensure lower long-term carbon lock-in.

Policy and incentives to support uptake of energy efficiency measures and low carbon technology in new and existing buildings.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | **Transition plan by system** continued | Scottish Widows

Integrating nature

Our nature materiality assessment, refreshed in 2025, highlighted the built environment as one of our most material areas based on its significant potential dependencies, impacts on nature and financial exposure (see [page 85](#)).

Focusing on our Commercial & Residential Real Estate (C&RRE) portfolio, our proof of concept analysis with Earth Blox (cloud-based software that supports monitoring of climate and nature risks) helped us understand how our clients interact with nature, including which properties may encounter elevated nature-related risks and opportunities due to proximity to sensitive geographies. For example, over 40% of properties in scope for this proof of concept analysis are located within or near to protected areas, and approximately 5% of sites are located at the intersection of high physical water risk (water availability, water quality and flood risk). The risks and opportunities associated with these properties will vary as a result of differing impacts and dependencies, meaning a more detailed investigation and analysis may be needed to determine the most effective response. This could include the opportunity to support the management and enhancement of protected areas.

The most material direct impacts of our C&RRE portfolio, and across the built environment system, are associated with the construction of properties, which include land use change, potential pollution of soils and water, and high resource use. In recognition of the nature-related impacts and dependencies associated with these construction activities, we integrated considerations of nature within our ESG Tool for our Real Estate and Housing Development clients (see [page 128](#)).

Through considering the nature-related impacts and dependencies of our climate levers and guardrails (see [page 85](#)), we identified impacts on nature from the installation of new technology and efficiency improvements. These could include lifecycle effects on the environment from home storage batteries, materials used for insulation, renewable energy and heating-related activities. To help address these, we developed a view of priority nature actions to consider moving forward, with the aim of reducing associated impacts and moving towards a pathway that supports both net zero and nature recovery.

Our priority actions	
Priority actions	Progress in 2025
Enhance our data capability across the built environment, supporting activity across commercial and residential properties and infrastructure, and supporting buildings within our agriculture system. This will enable a more detailed understanding of risks and impacts across the system to target actions more effectively.	<ul style="list-style-type: none"> Lloyds Living established an internal carbon intensity reduction target and have undertaken scenario modelling to better understand the impact of various levers available to achieve the target
Identifying new finance models to support customers and make retrofit more affordable over the long term, learning from and building on our existing propositions and wider industry activity.	<ul style="list-style-type: none"> Corporate & Institutional Banking (CIB) launched a Real Estate Transition Linked Loan (RE:TLL) sustainable finance proposition – designed for clients in the real estate sector Within Business and Commercial Banking we have expanded our Buildings Transition Loan with new financing options for EPC C to G rated properties – broadening access to funding to drive sustainable improvements Retail have paid over £3 million to over 3,000 customers in 2025 who have installed energy efficiency measures in their homes, as part of our Green Living Reward proposition
Providing customer awareness and education to explore and understand the available options for making their properties more energy efficient.	<ul style="list-style-type: none"> CIB have delivered a thought leadership report 'Intelligent Measured Data. Smarter Retrofit. Better Outcomes' to provide useful insight for our social housing clients about how new technology can support effective decision making in developing retrofit programmes 55,000 Retail customers have created a Home Energy Action Plan through our Home Energy Savings Tool to identify how they can make their home more energy efficient in 2025
Encouraging the development of a policy framework and standards to facilitate retrofit at scale.	<ul style="list-style-type: none"> We have continued executive membership and participation in NextGeneration standards and Sustainability Reporting Standards (SRS), which includes supporting the development of practical guidance for housing associations and supporting the transition of SRS data services to Housemark to ensure ESG disclosures are consistently measured and transparently communicated As an organisational programme partner of the UKGBC, we collaborate on key programmes such as advancing net zero and resilience and nature
Unlocking skills through our participation in industry-leading skills and diversity initiatives.	<ul style="list-style-type: none"> Our partnership with Regeneration Brainery continues to help tackle the skills and diversity challenges facing the property industry. We have continued to champion this work and have colleague representation on their newly established advisory board to support the further expansion of the programme Our partnership with Real Estate Balance has continued in 2025 in response to our clients expressing a need for more information on how to address equity, diversity and inclusion in UK real estate and its associated sectors

2026 look ahead system actions

In 2026, we'll build on the lessons learned in 2025 to deepen our understanding of homeowners' evolving needs and remove barriers to the housing transition. Our priority is to make the benefits clear and tangible by improving access to existing initiatives and introducing new ways to encourage and incentivise action. We'll focus on raising awareness, simplifying solutions, and tailoring our approach so it resonates and drives meaningful change.

The Commercial and Residential Real Estate sector remains exposed to the pace and ambition of UK policy. Key policy enablers, such as reducing the price of electricity, and implementing the Minimum Energy Efficiency Standards (MEES) for the private rented, social housing and commercially rented properties are needed to support adoption. We continue to unlock the economic case for customers by helping them navigate the complexity of retrofit, whilst expanding financial solutions for retrofit that build upon existing sustainable finance and investment offerings.



Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | **Transition plan by system** continued | Scottish Widows



Homes

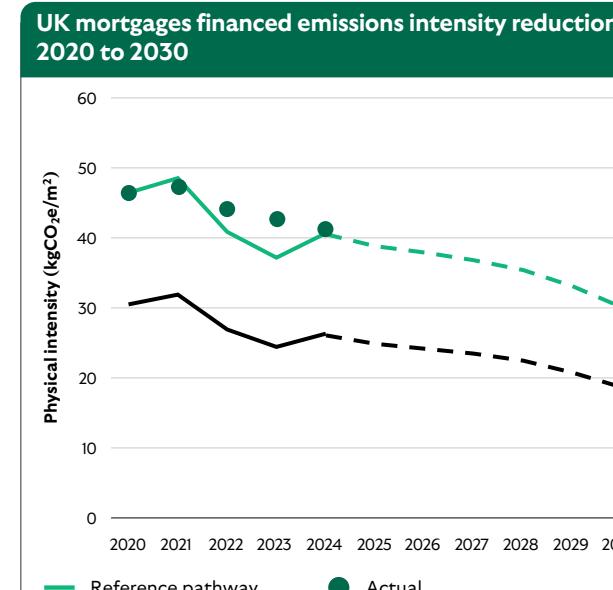
To achieve the UK's commitment to net zero by 2050, decarbonising buildings is key.

Housing contributes c.19% of the UK's carbon emissions, highlighting a critical need to improve the energy efficiency of our housing stock. The UK faces a sizeable challenge in updating some of the least energy-efficient housing stock in Europe. Whilst we are seeing measurable progress vs our target, witnessing acceleration in green technologies and stronger industry collaboration, challenges remain in terms of rate of adoption of retrofit measures and strength of policy to drive UK transition.

To accelerate progress the role of partnerships is critical – working alongside government, other lenders and industry leaders. Together, we can educate and empower customers, shape supportive policy frameworks, and expand access to affordable green finance – creating an environment where customers can confidently and effectively improve the energy efficiency of their homes.

The target has been restated in line with the CCC Seventh Carbon Budget as outlined on [page 64](#). We have set an intensity-based target for our UK residential mortgage portfolio to reduce our financed emissions intensity (scope 1 and 2) by 35% (from a 2020 baseline), from 46kgCO₂e/m² to 30kgCO₂e/m² by 2030.

Target
35%
UK residential mortgages emissions intensity reduction (kgCO₂e/m²) between 2020 and 2030



Achievement of target pathways is contingent on market developments, policy shifts and dependency assumptions. Please see the Risks and dependencies section.

Progress update

In 2024, the financed emissions intensity of our mortgage portfolio has reduced by c.3% compared to 2023, bringing the overall reduction observed between 2020 and 2024 to 11%. This fell short of our reference pathway expectation by 2.0%, reflecting recognised limitations in Energy Performance Certificate data, which exclude recent demand-side reductions linked to increased energy prices and warmer winters that have been observed in real world data. These impacts cannot be reliably captured without live emissions data, access to which remains constrained. We continue to work on solutions to allow us to incorporate these impacts into our emissions calculations.

It's important to note that the decarbonisation of the mortgage portfolio is in line with the CCC Balanced Net Zero Pathway scenario and remains heavily reliant on significant external changes and policy intervention. Factoring in a number of dependencies and externalities, we anticipate achieving a slower rate of reduction than the CCC's pathways scenario. The externalities we've considered include: 1) delays to the pace of grid decarbonisation, 2) volatility of energy prices, 3) reduced consumer confidence leading to slower uptake of decarbonisation solutions, and 4) a continued contraction/slower build rate in the new build market.



Risks and dependencies

We are committed to reducing financed emissions intensity by 35% by 2030, benchmarking our UK residential mortgage portfolio against the CCC's Seventh Carbon Budget. We have identified key dependencies and risks, driven by the significant future abatement needed to meet the UK's broader net zero goals. Limited confidence in current policies continues to hinder progress and actions to deliver the housing transition at the pace required by the CCC, leading to ongoing divergence from our targeted pathway. Our key dependencies and risks include:

Decarbonisation of the electricity grid, the largest expected contributor to UK's housing emission reduction by 2030

- Grid decarbonisation remains a critical dependency to reducing emissions from housing. The timeline for the upgrade of the transmission and distribution network needed between now and 2030 is ambitious, meaning there are particular sensitivities to delays. Geopolitical tensions could lead to price volatility and disrupt the wider rollout of renewable energy and decarbonisation
- UK marginal electricity emissions factor data has not been updated since 2023, adding uncertainty to grid related abatement estimates



Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | **Transition plan by system** continued | Scottish Widows

Clarity and incentives from government

- Over the past year, there has been increased government attention to housing transition policy, including consultations on Minimum Energy Efficiency Standards for the Private Rented Sector and proposals to reform Energy Performance Certificates (EPCs). We are encouraged by the pace and the depth of government consultation, however commitment to policy implementation remains key
- The CCC noted in their 2025 progress report that more is needed to accelerate heat pump rollout. While additional clarity has since been provided within the Carbon Budget and Growth Delivery Plan addressing some of the concerns raised, there remains significant uncertainty around the pace of rollout the identified policies will be able to deliver. In particular, both consumer confidence and levels of installer capacity remain key concerns

Customer awareness

- In the CCC report, two-way engagement has been identified as key to increasing public support for energy efficiency measures. Visible leadership is essential for public support for home retrofit



- Homeowners continue to face barriers to making sustainable changes, such as high upfront costs, a lack of information and understanding of retrofit and uncertainty over what happens if something goes wrong. Customers also do not have confidence in the benefits of retrofitting, specifically that it will provide energy efficiency improvements and bill savings
- Having consistent messaging from both government and industry to ensure that customers are aware of retrofit benefits, such as improved indoor air quality and efficiencies of heat pumps, will help unlock more action and retrofit at scale
- EPCs do not reflect actual energy usage nor recent retrofits, given they are not routinely updated. This hinders our ability to track behaviour change – such as concerning energy demand and subsequent changes to emissions – and does not give customers visibility of the impact of retrofit, which in turn drives behaviour change

Energy-efficient new build sector is contracting

- We have continued to see a contraction in the delivery of new build properties, which is a key risk to supporting customers with high-quality sustainable housing
- Uncertainty surrounding principles within the Future Homes Standard and delays to publication risks increasing the number of new builds that will need to be retrofitted, further increasing the size of the challenge to transition UK housing

Our actions

Progress in 2025 and look ahead to 2026

Incentivising retrofit

We are supporting customers of all EPCs to transition their homes through our Green Living Reward, which offers up to £2,000 cashback for eligible mortgage customers. In 2025 alone we have paid over £3 million to over 3,000 customers who have installed energy efficiency measures in their homes.

Bolder customer incentives

This year we offered customers our largest financial discount yet of £1,250 off the cost of solar panels and batteries via our Effective Home partnership. We have installed more than four times the number of heat pumps via our partnership with Octopus Energy in 2025 compared to 2024, independent of our bold 'heat pump on us' offer, driving the adoption of low carbon heating.

Sustainable financing

In the first nine months of 2025 we have completed £5.3 billion of energy-efficient mortgage lending on EPC A and B properties, providing a £250 cashback incentive for residential customers and a 10bps discount for BTL customers. We have already surpassed our 2025 target, and we are on track to exceed our 2025–2027 target of £11 billion.

In December 2024, we introduced EPC-linked affordability in our mortgage offerings to better reflect energy bill costs in our affordability calculations. Within the first six months, over 28,000 mortgage applications were updated with more accurate energy cost assumptions. This has supported over 1,000 customers to access a higher lending amount.

Customer engagement and education

Through our partnerships with Effective Home and Octopus Energy, we continue to support customers with finding trusted installers for retrofit and have introduced bolder customer incentives.

Around 4,600 customers have created a Home Energy Action Plan through our Home Energy Savings Tool to identify how they can make their home more energy efficient in 2025. We have improved our tool to make it more intuitive and insightful for customers, so the tool is auto populated with more property data. We have also supported over 700 of our brokers via education webinars focusing on the importance of energy efficiency and upcoming regulatory changes, in partnership with the Energy Savings Trust.

To enable us to better understand the home retrofit barriers that customers are facing, we have conducted in depth research with the University of Leeds and Behavioural Scientists, DecTech (see [page 95](#)). We are using these insights to develop propositions and partnerships to further enhance our support for customers to retrofit their homes.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | **Transition plan by system** continued | Scottish Widows

Total mortgage lending value of known EPCs

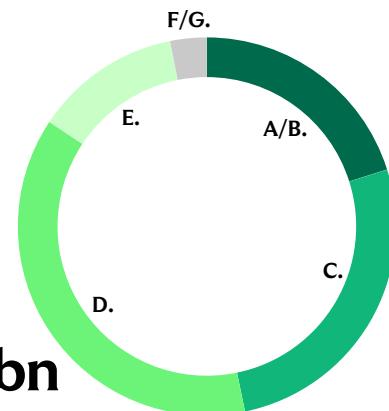
For the EPC distribution by lending value for the mortgage book please see page 172 of the [annual report and accounts](#) →

The split between residential and buy-to-let mortgages is shown below for properties with known EPCs:

Residential mortgages

2025

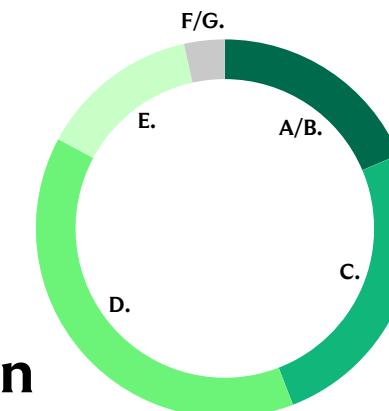
- A/B. 20%
- C. 27%
- D. 38%
- E. 13%
- F/G. 3%



£226.9bn

2024

- A/B. 19%
- C. 25%
- D. 39%
- E. 14%
- F/G. 3%

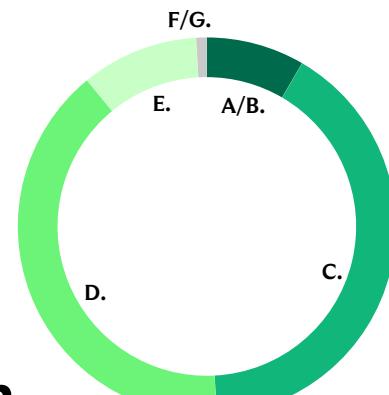


£207.1bn

Buy-to-let

2025

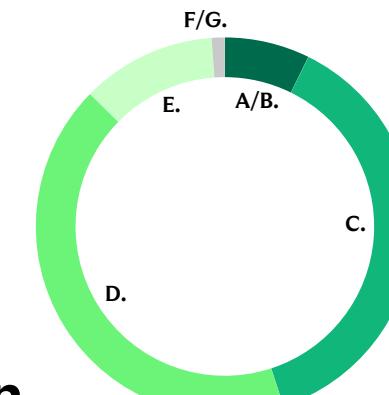
- A/B. 8%
- C. 41%
- D. 40%
- E. 10%
- F/G. 1%



£42.1bn

2024

- A/B. 7%
- C. 38%
- D. 42%
- E. 12%
- F/G. 1%



£40.6bn



Purpose in action

Understanding retrofit behaviours: a consumer research initiative

Retrofitting the UK's homes will be essential to achieving net zero, but historically uptake has remained low due to high upfront costs, limited incentives and lack of public awareness. It is estimated that around £250 billion will be required in investment to support home retrofit by 2050.



SDG 7.1

By 2030, ensure universal access to affordable, reliable and modern energy services.



SDG 9.4

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

Link to strategy



To help support this, we carried out targeted research with behavioural scientists and the University of Leeds to better understand homeowner and landlord engagement, attitudes and behaviours related to retrofit. Via online surveys and live behavioural experiments, we explored what drives action, and what gets in the way.

Our research focused on three areas:

- Retrofit experience:** Exploring the lived experiences of those who have already retrofitted their home, giving us insight into how we improve support, guidance, and financing.
- Segmentation profiling:** Using machine learning, identifying different consumer groups and their motivations to help us tailor our products, messaging, and how we offer support.

3. **Triggers and barriers:** We identified motivators and obstacles to retrofit, including the most opportune times customers are looking to act, which will inform how we shape interventions to drive uptake.

We are utilising these insights to deepen our understanding of customers and shape our current and future propositions, products and partnerships to better support customer needs. Our aim is this will help unlock retrofit and decarbonisation for more UK homes, help us build on the success of the current propositions such as the Green Living Reward, and go beyond the 3,000 customers we have paid over £3 million to in 2025 alone. This research will help unlock future key milestones, partnerships and propositions.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | **Transition plan by system** continued | Scottish Widows



C&RRE

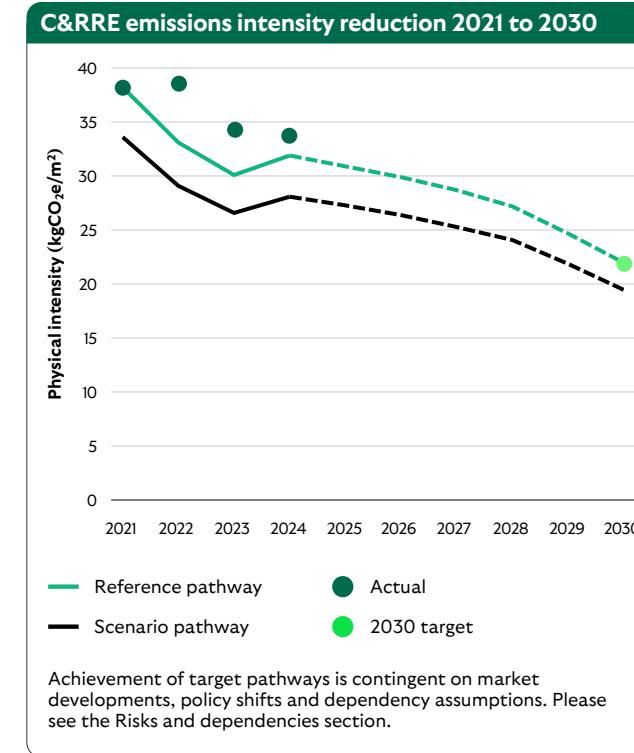
Lowering the carbon footprint of existing buildings remains a critical focus, driven by retrofitting to enhance energy efficiency and replacing fossil-fuel heating systems with low-carbon alternatives. We are committed to accelerating the decarbonisation of commercial and residential real estate, where our drawn lending to this sector was £21.9 billion at the end of 2024.

The C&RRE target has been restated in line with the CCC Seventh Carbon Budget as outlined on [page 64](#). Based on our baseline portfolio composition, the target requires an average reduction in emissions intensity of 43% between 2021 and 2030 i.e. reducing our 2021 emissions intensity from 38kgCO₂e/m² to 22kgCO₂e/m². The 2021 portfolio baseline and subsequent years have been restated. The portfolio baseline has moved from 39kgCO₂e/m² to 38kgCO₂e/m², driven by improved matching and estimates of property types with different emission intensities. Factoring in a number of dependencies and externalities, we anticipate achieving a slower rate of reduction than the CCC's pathways scenario.

Target

43%

C&RRE emissions intensity reduction (kgCO₂e/m²) between 2021 and 2030



Progress update

From 2021 to 2024 the emissions intensity of the C&RRE portfolio reduced by 12%, from 38kgCO₂e/m² to 34kgCO₂e/m², falling short of required reference pathway reduction by 5.6%. The decrease from 2021 is driven by a slight shift towards social housing assets which have a lower emission intensity, grid decarbonisation and some improvement in EPC ratings in our commercial portfolio. Further annual emissions intensity percentage reduction will be required in the future (recognising reduction will not be linear) with the CCC BNZ pathway being heavily reliant on policy (e.g. minimum EPC standards) and low carbon heat adoption.

Our 2030 outcome is influenced by the risks and dependencies outlined to the below, notably grid decarbonisation and ability to retrofit at scale.

Risks and dependencies

Decarbonising the commercial and residential real estate sector presents significant challenges, including multiple dependencies. Progress is closely tied to grid decarbonisation and the ability to scale retrofit solutions, including the adoption of low-carbon heating systems across existing building stock. Government policy will be pivotal, with measures such as the Future Homes Standard (FHS), reforms to EPC methodology, and Minimum Energy Efficiency Standards (MEES) for private, social and commercial rented sectors being critical to shaping the pace of change. The execution of the Warm Homes Plan, outlining retrofit strategies, public subsidy frameworks, and minimum EPC C requirement by 2030 for the private rented sector will also be critical.

With 80% of today's buildings expected to remain in use by 2050¹, retrofitting is essential to achieving net zero. However, the economics remain challenging: the high cost of retrofits and the current imbalance between electricity and gas prices undermine the business case for decarbonising heat, even allowing for 2025 Budget measures. These financial barriers,

combined with limited awareness and time, often lead to customer inertia. Furthermore, the shortage of skilled labour and resources to deliver both retrofit and new-build requirements adds complexity. Unlocking these barriers – through policy clarity, financial incentives and industry capacity – will be key to accelerating progress.

¹ [The Sixth Carbon Budget The UK's path to Net Zero](#) →



Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | **Transition plan by system** continued | Scottish Widows

Our actions

We continue to grow and improve financial products that support UK businesses to grow sustainably and transition to a low carbon economy, including our Green Commercial Mortgages, Building Transition Loans, Sustainability-Linked Loans, Clean Growth Financing Initiative (CGFI) and National Wealth Fund backed loans.

In the final quarter of 2025 we launched our Real Estate: Transition Linked Loan product, and relaunched our Buildings Transition Loan, improving our lending transition structuring and enhancing support for the retrofitting of inefficient buildings. More detail about these products can be found opposite. Separately, the Green Buildings Tool continues to provide our clients with free-of-charge access to a digital insights calculator, through which over 2.4 billion square feet of real estate has been assessed since 2019.

In Q3 2025, we launched our bespoke ESG Risk Assessment using our ESG tool for our residential developers and housebuilders within the Commercial Bank. The tool, which integrates NextGeneration criteria, enhances the requirements for our business clients to assess their climate transition and environmental risk, and capture their transition plans effectively.

This year has seen the Group reinforce its commitment to tackling housing inequality by establishing a dedicated Social & Supported Housing team within its Business and Commercial Banking business, embedding sustainability at the heart of its strategy to deliver safe, affordable and energy-efficient homes across the UK. See [page 12](#) for more on how we are supporting Access to Housing.

Delivery of our thought leadership report 'Intelligent Measured Data. Smarter Retrofit. Better Outcomes' with outcomes derived from a pilot study sets out to provide helpful insight to our clients across the housing and commercial real estate sector of the potential of new technology to support effective decision making in developing retrofit programming and preparation for net zero. See [page 15](#) for more information about the report.

As we obtain further clarity on government policy, we will review the feasibility and impact of implementing guardrails on new lending and refinancing in relation to EPC standards

and low carbon heating. We have continued to engage government on Greening the Built Environment matters in 2025, through policy consultations, roundtables, and responding to the climate section of the FCA discussion paper on the future of the mortgage market.

In the first half of 2025, our Homes and Commercial businesses explored the impact of future potential Minimum Energy Efficiency Standards (MEES) regulation on their portfolios to develop a Group-wide policy position of supporting proposed new MEES of EPC C across the private rented sector in England, Wales and Scotland, and the social rented sector in England and Wales. Following periods of consultation, the government has since confirmed that all private rented tenancies in England and Wales will be required to meet EPC band C according to two reformed EPC metrics by 1 October 2030, and all social rented properties in England will be required to meet EPC band C by any one reformed EPC metric by 1 April 2030.



Purpose in action

Products to support our clients' transition

Commercial, residential and real estate remains a crucial sector for the UK and the Group to decarbonise, in order to meet net zero ambitions. We have developed a suite of lending propositions to support our clients to achieve their decarbonisation ambitions with two new products launched in 2025.

Real estate transition linked loan

This year, we launched our Real estate: transition linked loan (RE:TLL) – sustainable finance proposition – designed for corporate and institutional clients in the real estate sector.

RE:TLLs are single Key Performance Indicator Sustainability-Linked Loans that reward clients for committing to carbon and/or energy reductions delivered by a comprehensive retrofit plan, which aligns with the Climate Change Committee's balanced pathway for decarbonisation, Carbon Risk Real Estate Monitor (CRREM) or equivalent.

Working with our Green Buildings Tool and sustainability advisory team, customers still developing their retrofit strategy can access a margin discount from day one which will remain in place as long as the plan stays on track – reviewed and tested annually.

In 2026 we plan to embed the RE:TLL and continue to develop transition insights which support our clients to build a business to transition. We will also continue to share the lessons we have learned from our bespoke CTP benchmarking methodology. For more information on our CTP process see [pages 82 to 83](#).

Alongside our clients we will also explore asset level resilience measures to address climate-related physical risk and the transitional role of green infrastructure to deliver resilience, biodiversity, carbon sequestration and unlock development potential.

Building Transition Loan

We launched the Buildings Transition Loan in 2024 to help clients acquire or refinance properties with an EPC rating of A or B, offering a £0 arrangement fee and up to £150,000 fee reduction.

In recognising the UK's retrofit challenge – with a building stock that ranks among the least energy efficient in Europe – we



SDG 7.3

By 2030, double the global rate of improvement in energy efficiency.



SDG 13.1

Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

Link to strategy



introduced an enhanced Buildings Transition Loan in October 2025 for our Business and Commercial Banking customers to drive sustainable improvements.

The enhanced loan offer continues to reward clients with EPC A and B properties but now also supports those purchasing or refinancing properties rated EPC C to G, provided the property can be improved to at least EPC B within 18 months. Clients can borrow funds for required upgrades, or choose to self-fund improvements.

Our Green Buildings Tool can assist with planning and costing the necessary work.

To date, we have provided £575 million in Buildings Transition Loan funding to clients across sectors such as real estate & housing, trading, healthcare, and agriculture, helping them secure more comfortable, sustainable, and efficient properties for their businesses and customers.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system continued | Scottish Widows



Lloyds Living

Lloyds Living provides high-quality properties for rental and shared ownership.

Founded in January 2021, Lloyds Living now provides over 5,450 homes across Great Britain (as at December 2025). Of these, over 80% are EPC rated A or B. These have been our areas of focus as part of our sustainability strategy:

Data and strategy

Since 2024, Lloyds Living reports its scope 1 and 2 emissions arising from landlord areas, communal areas in apartment buildings and show homes. Our focus in 2025 has been to establish internal targets as part of a carbon intensity reduction plan whilst continuing to work with the wider Group to measure Lloyds Living's scope 3 emissions.

We plan to continue to evolve our sustainability strategy and adapt our plans as we start to understand more about the performance of our homes, and continue to innovate and trial new opportunities as we seek to reduce our environmental impact for the benefit of our communities.

Building standards

In 2025, we have worked towards ensuring that at least 50% of contracted projects for new build homes report to the NextGeneration Initiative benchmark. As of the end of 2025, 60% of our contracted projects met our criteria.

NextGeneration is a sustainability benchmark for UK homebuilders. It sets out what good practice looks like and drives change in the industry, with the criteria of the benchmarks being publicly available. We will continue to encourage our development partners to sign up to NextGeneration, where possible.

We have delivered 25 'zero bills' homes to date as part of a retrofit pilot and contracted on a further 53 'zero bills' homes in 2025, which are now in construction.

'Zero bills' homes use low carbon technology such as solar panels, heat pumps and batteries, which work together with a proprietary tech platform to optimise energy use. Residents in our 'zero bills' homes do not pay energy bills, which reduces their housing-related costs (EV charging is excluded, a fair use policy applies).

We are proud to have 70 properties that meet the government's Future Homes Standard, ahead of its implementation date.

The Future Homes Standard is a set of regulations for new homes in England that aim to improve the energy efficiency and reduce the carbon emissions of new homes. In addition, we continue to focus on increasing the proportion of fossil fuel free homes we procure. In 2025, about 33% of the 2,217 homes we contracted used electricity only.

Biodiversity

In line with UK law (Schedule 7A of the Town and Country Planning Act 1990), new developments granted planning permission from February 2024 must achieve a minimum of 10% Biodiversity Net Gain. Opportunities to transact on developments consented under this new framework remain limited, with most housing stock on offer in 2025 consented to prior to the implementation of this legislation.

In 2025, we produced a high level nature strategy and piloted an approach to delivering improvements to biodiversity on our existing site at Waterbeach in Cambridgeshire.

Travel

We evaluate the accessibility of sites via public transport to help reduce car dependency. Where parking is provided onsite, we will work with our development partners to increase the provision of electric charging points.

Lloyds Living pledges

	2025	Achieved	Progress in 2025	For 2026
Data and strategy	Establish internal targets	Yes	We have established an internal carbon intensity reduction target and undertaken scenario modelling to better understand the impact of various levers available to achieve the target	Identify and embed processes and controls to support and operationalise our carbon intensity reduction plan Develop a retrofit strategy and deliver a pilot
Building standards	50% new developments contracted in 2025 report to NextGeneration Initiative	Yes	60% of new developments contracted in 2025 contain a commitment to report to the NextGeneration Initiative benchmark	Continue to engage development partners to achieve NextGeneration accreditation ¹
	Expand Future Homes Standards	Yes	70 Future Homes Standard homes contracted	Expand Future Homes Standard
	Expand 'zero bills' homes	Yes	Contracted on a further 53 'Zero Bills' homes (Zero Bills relates to electricity costs and a fair use policy applies)	Expand 'zero bills' homes
	500 completed homes to use electricity only (no gas) by the end of 2025	Yes	As at December 2025, we have completed a total of 932 homes using electricity only	Increase the number of completed electricity only homes by the end of 2026
	Grow the number of new homes started onsite that are all electric	Yes	About 33% of the 2,217 homes contracted use electricity only	Grow the number of contracted new homes that are all-electric
Biodiversity	Work with our development partners to explore ways to improve the quality of BNG on new construction sites	Yes	One of 12 transactions completed in 2025 involved a development with a BNG uplift of c.25% (Kingsbrook in Aylesbury)	Work with development partners to promote the Homes for Nature initiative to support wildlife in new developments
	Improve the biodiversity of our existing sites	Partial Yes ²	A pilot was implemented at Waterbeach in Cambridgeshire to deliver a BNG uplift of at least 10% on an existing site	Complete BNG pilot at Waterbeach
Travel	Increase access to EV charging points on new developments (subject to capacity and feasibility)	Yes	About 74% of the 2,217 homes contracted have access to EV charging points	Expand access to EV charging points on new developments (subject to capacity and feasibility) ³

¹ We reviewed our commitment in 2025 and updated our pledge to reporting to Project and Core levels with NextGeneration. In 2026, we will exclusively focus on Project level reporting.

² A two-phased approach was established with Phase 1 completed in 2025 (delivering 7% uplift), and Phase 2 to be delivered in 2026 due to seasonality.

³ This pledge was revised in 2024 to align with planning limitations and feasibility.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | **Transition plan by system** continued | Scottish Widows



Home insurance

The Group (including its associated brands)¹ offers buildings and contents insurance to UK residents.

We aim to support customers in improving the resilience of their homes against extreme weather caused by climate change. As a business, we also strive to advocate for change with policymakers and other firms in the industry.

Insurance emissions methodology

Whilst there is currently no prescribed methodology for measuring emissions on insured properties to support net zero progress and reporting, we will continue to monitor and engage with developments in this area.

¹ The home insurance liabilities are managed under Scottish Widows Group.



Our strategy – two key areas:

01 Propositions to improve resilience

Climate change is projected to alter the frequency, severity and location of weather events that impact our UK general insurance portfolio. Our home insurance products provide cover for key weather perils, for example, flood, windstorm, subsidence and freeze. These are the perils that are most affected by climate change, and we will look to continue to provide these coverages in the future.

The UK is expected to experience increases in extreme rainfall leading to increased flooding. Whilst river and coastal flooding can be modelled with catchment-scale hydrological models allowing for advance planning in mitigation measures, the nature of surface water flooding (localised and difficult to predict) makes equivalent mitigation planning more challenging.

Given the increasing frequency and devastating household impacts of flooding, flood resilience is a priority for us in supporting our customers. We recognise the opportunity and imperative to improve the flood resistance and resilience of those homes that are most at risk of flooding.

Our Build Back Better initiative (backed by Flood Re) is a commitment to spend up to £10,000 per claim on specialist flood surveys and fitting property flood resistance and/or resilience measures following eligible flood claims. To identify the most appropriate measures for eligible customers – including floodgates and self-closing air bricks – we have onboarded specialist flood surveyors to provide expert advice to our customers. The Build Back Better scheme went live on 1 July 2022 and the first eligible claim was registered the following month.

To help customers protect themselves and their homes from the physical impacts of weather events, we can reach out, via email, social media and our banking app, with various elements of advice and guidance. Alongside regular preventative communications, we will continue to reach out to our customers ahead of severe weather events, offering advice on how to protect homes and advice on how to claim, if appropriate.

02 Advocating change

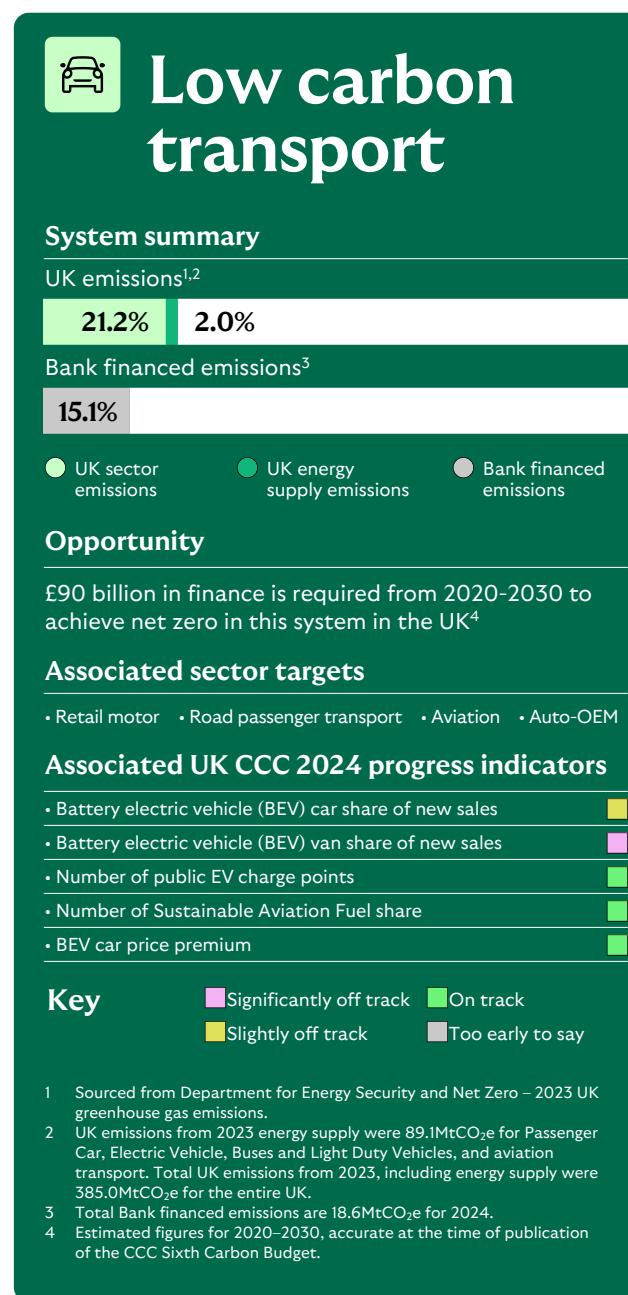
To facilitate systemic change, we believe that acting as a convener and creating a platform for open dialogue and a diverse representation of expertise outside of just financial services will help us to solve the challenges we now face. To these ends we are building relationships with experts to enhance our understanding of sustainability.

For instance, we are collaborating with academic institutions to study the impact of climate change on windstorm risk. We have also identified the need to advocate for policy change to help increase flood and broader weather-related resilience and adaptation efforts.



Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system continued | Scottish Widows



System focus

Surface transport is currently the highest emitting sector in the UK. Our low carbon transport system addresses transport by road and by air and includes our retail vehicle leasing and financing activity, as well as support for transport operators, the companies that manufacture vehicles to produce cleaner, more efficient vehicles, and those that develop greener alternative fuels. Emissions for our rail and shipping activities within the transport sector are not currently included, due to our limited exposure to those transport sectors.

It is expected that £90 billion in finance is required by 2030 to support the transport system to transition, with over £6 billion of private financing expected in the UK's charge point rollout alone¹.

Alongside the deployment of new EVs, further battery supply, development and improvements, increasing use

of second-life batteries and the development of alternative fuels for heavier vehicles or aviation are other areas of change needed and in turn opportunity linked to the broader energy transition.

Conversely, over a third of the UK's railways and roads are currently at risk of flooding, with an expectation this could increase to around half by 2050². As demonstrated in the UK's 2022 heatwave, extreme heat can disrupt infrastructure systems via rail buckling and power line sagging meaning that adaptation and resilience considerations are needed alongside mitigation efforts.

Benefits beyond emissions include the reduction of the number of pollutants that enter the atmosphere, for example in the switch from internal combustion to EVs, benefitting the built environment and beyond.

Benefits also further extend to people – with the recent Lloyds Banking Group 'Plugging Into The Future' report

suggesting that real average savings are £960 per year³. It is important that this extends to as many people as possible through affordable, accessible charging solutions.

We welcome the government's ongoing commitment to charging infrastructure and it's vital that as many people as possible benefit through affordable and accessible charging solutions – something the £63 million announced in the 2025 July Plan for Change⁴ and focused on at-home charging for households without driveways will help with.

¹ Backing British business: Prime Minister unveils plan to support carmakers →

² Progress in adapting to climate change: 2025 report to Parliament →

³ EV myths and the transition to electric transport (page 19) →

⁴ New £63 million boost for Britain's electric vehicle revolution →

Current areas of focus

Value chain segment

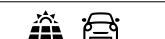
Manufacture (parts and OEMs)



Changes needed

- Supply of EV cars, LCVs, buses, with lower embodied emissions and extended range

Distribution



- Support for low carbon transport from dealers, manufacturers and fleet operators

Infrastructure and energy



- Sufficient supply of low carbon electricity, and smart charging at all times of the day, where it is needed
- Use of alternative fuels for heavier vehicles and aviation

Vehicle use



- Ensure that supportive policy includes just transition considerations
- Affordable mobility for all (city access)
- Access to affordable, accessible, reliable public transport

Re-use of vehicle & components

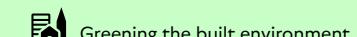


- Strong market in secondhand EVs makes ownership more affordable and better for environment (prolonging vehicle life, including use of battery, therefore reducing embodied carbon emissions)
- Battery recycling and re-use for storing electricity reduces environmental pollution and reduces demand for resources, supports balancing the grid and enables electrification

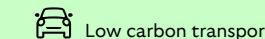
Systems Key



Energy transition



Greening the built environment



Low carbon transport



Sustainable farming and food

Key dependencies

Successful policy implementation of ZEV mandate and incentives to support EV uptake.

Expansion of public and private charging infrastructure.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | **Transition plan by system** continued | Scottish Widows

Our priority actions

Priority actions

Exploring ways to build a stable, low-carbon road transport market focused on used EVs, LCVs, and buses, addressing EV residual value risks and using data like charging insights to reduce entry barriers and support new financing models.

Using data to help customers understand the benefits of switching to EVs or LCVs and how these fit with their home or work life.

Further facilitating the move to greener vehicles by focusing on infrastructure, cross-system insights, and new financing models like connected car data, payment solutions and flexible leasing.

Progress in 2025

- Within Retail Motor there has been improved monitoring of used EV values, cashback offered on EV finance (July–August 2025), and achieved a 103% increase in customers choosing Lloyds Bank or Halifax for EV finance

- Retail Motor upgraded the tool to help customers assess EV lifestyle suitability and affordability and improved the Lex Autolease EV Hub
- Retail Motor offered three-month trials of the E-Vivaro, giving fleets real-world experience with electric van

- Continued the Octopus Energy referral for charging and energy tariffs to support convenient home charging, explored site-based charging infrastructure with potential partners
- Acted as Mandated Lead Arranger and sole hedge provider for a new £150 million term loan for FirstGroup adding around 1,000 buses, one third of which are electric

2026 look ahead system actions

In 2026, we expect continued momentum in the EV market, supported by several strategic developments. We have signed new partnerships, expanding our offering and strengthening relationships with leading manufacturers. The used EV market is forecast to grow further, and we will continue to refine pricing strategies and evolve propositions to meet customer needs in this space. To encourage adoption of electric light commercial vehicles (eLCVs), we will continue offering three-month trials, giving fleet customers hands-on experience and building confidence in transitioning to electric vans. We are working with other areas of Lloyds Banking Group to develop integrated solutions that support the transition across the full energy ecosystem, from EV charging to solar, with a view to expanding into financed solutions in the future.

The automotive and road passenger transport sectors remain highly dependent on the pace and ambition of UK policy and regulation. Accelerating EV adoption through competitive pricing, expanding charging infrastructure and advancing battery technology are key enablers of progress. Successful delivery also relies on the adoption of low-carbon transport solutions by both retail and commercial consumers. We will continue to work closely with clients on CTPs and provide financing for low-carbon vehicles and supporting infrastructure, helping deliver emissions reduction targets while building long-term resilience.



Purpose in action

Tusker



SDG 9.4

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.



SDG 12.6

Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.



SDG 11.2

By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.

Link to strategy



Tusker has successfully implemented an EV scheme for recruitment giant Reed, enhancing the company's employee benefits offering while also supporting its carbon reduction goals.

With a workforce of over 4,000 people across the UK, Reed needed a partner that could deliver a seamless, scalable solution. The scheme launched in April 2025, supporting Reed's wider employee engagement and ESG strategies, providing access to EVs in a tax-efficient way while aligning with carbon offsetting goals.

Modernising benefits

The flexible scheme includes generous lifestyle protections and in-stock vehicle options, making it easy for employees to get behind the wheel of a car.

The partnership with Reed demonstrates how organisations can modernise benefits while delivering business savings and supporting environmental targets.

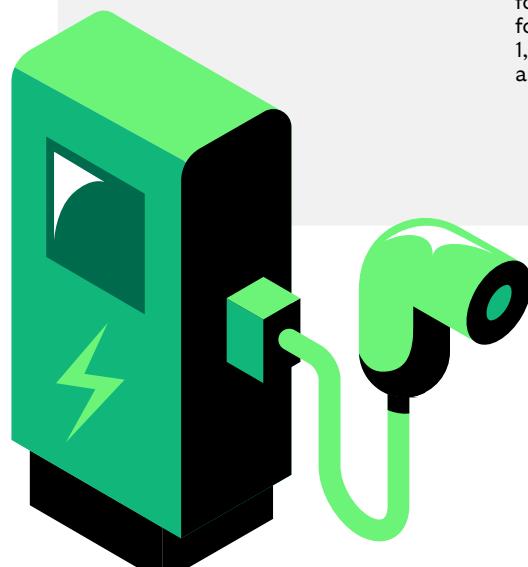
Natasha Litchfield, reward adviser at Reed, said: "When we started looking for another provider, Tusker stood out as having the systems and experience to be able to deliver the levels of service we need. They've provided everything promised, implementation has been straightforward, and the deliveries of new cars have been smooth, too."



Reed has shown how a salary sacrifice car scheme can move from being just a benefit to being part of a culture that recognises performance and supports sustainability."

Ali Argall

Business Development and Client Retention Director at Tusker



Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system continued | Scottish Widows



Retail motor

The Group has one of the largest vehicle finance and leasing portfolios in the UK, playing a significant role in the successful transition to a sustainable transport model.

Through Lex Autolease, Black Horse, Tusker and our core-bank brands, our Transport business leases and finances over 1.25 million vehicles on the road today, including over 230,000 low emission vehicles.

Target

48%

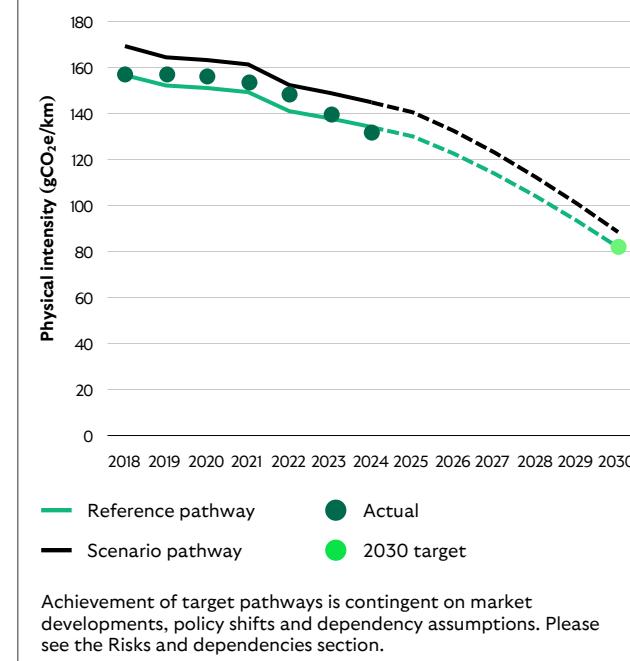
combined car and van emissions intensity reduction (gCO₂e/km) between 2018 and 2030

The target has been restated in line with the CCC Seventh Carbon Budget as outlined on [page 64](#). As part of the refresh we are now combining cars and LCVs into a single financed-emissions intensity target because that provides flexibility to optimise reduction in emissions, enhances comparability with peers, and enables us to allocate effort to the most cost-effective emissions reductions while prudently managing residual value (RV) risk and the pacing of transition across both segments. We are committed to reducing the emissions intensity of our financed car and van portfolio by 48% by 2030, compared to a 2018 baseline (scope 1 and 2). This equates to a combined emissions intensity of 82gCO₂e/km down from 157gCO₂e/km.

Progress update

Between 2018 and 2024, we have made positive progress in reducing the emissions intensity of our financed vehicle portfolio (combined cars and LCVs), as shown in the chart. Cars and vans combined emissions intensity reduced from 157gCO₂e/km to 132gCO₂e/km, representing a 16% reduction. This performance is broadly aligned with our reference pathway and indicates that we remain on course to meet our 2030 ambition. Continued progress will depend on factors such as accelerated uptake of zero-emission vehicles, supporting infrastructure and wider policy developments. Our sector graph illustrates the latest view of emissions intensity reductions we expect by 2030. Our 2030 target assumes ambitious policy intervention and rapid uptake of zero-emission solutions. Further details on our risks and dependencies are outlined below in the next section.

Cars and LCVs emissions intensity reduction 2018 to 2030



Risks and dependencies

The UK government's Zero Emission Vehicle (ZEV) mandate remains a key driver of transition, requiring 80% of new cars and 70% of new vans sold to be zero emission by 2030, rising to 100% by 2035.

For cars, our projections remain aligned with the mandate, supported by strong uptake in corporate leasing and salary sacrifice schemes. However, LCVs continue to lag, with limited model availability, higher upfront costs, and infrastructure gaps presenting ongoing challenges.

The UK government's ZEV mandate continues to shape the transition to electric transport. In 2024, the government reinstated the 2030 end to the sale of new petrol and diesel vehicles, reaffirming its commitment to net zero. This decision was widely welcomed and is expected to encourage both businesses and consumers to accelerate their transition to EVs.

However, in 2025, the government introduced revisions to the ZEV mandate to reflect market development and support industry adaptation. These changes include:

- Allowing hybrid vehicles (including full hybrids and plug-in hybrids) to remain on sale until 2035
- Permitting ICE vans to be sold until 2035, alongside hybrid models and full electric models
- Reducing fines for manufacturers who miss ZEV sales targets
- Extending credit borrowing and transfer schemes to allow more flexibility in meeting annual targets

While these adjustments aim to balance environmental ambition with practical delivery, they also introduce greater complexity and potential uncertainty around the pace of transition and our 2030 outcome.

The CCC's July 2025 Progress Report, aligned with the Seventh Carbon Budget observed that new low carbon van sales in the UK remain significantly off track. Several challenges continue to hinder growth in the low carbon van market, including the range of available models for business use, with many failing to meet essential requirements such as payload capacity, driving range and affordability.

The second-hand market for electric vans is still small, restricting access for SMEs and slowing broader adoption. Additionally, the financial case for electrification has weakened due to rising energy prices and the reduction of government grants, making it harder for businesses to justify the transition.

For consumers, high upfront costs and charging infrastructure concerns remain major obstacles, especially where long-term savings are unclear. While new manufacturers entering the market are helping reduce new car prices, this is placing downward pressure on used EV values, increasing RV risk for leasing providers.

RV remains a key risk, particularly as the market adjusts to new government incentives and pricing dynamics. Stability in government policy and consumer sentiment continues to be a critical enabler.

In 2025, we have strengthened our RV monitoring and management, responding to increased volatility in used EV values. The introduction of the government's Electric Car Grant in July 2025 – offering up to £3,750 off eligible EVs – has stimulated demand but also placed downward pressure on nearly new vehicle values.

To address these challenges, consumers should be provided with up-to-date education on the benefits of electrification, including total cost of ownership and environmental impact. Dealership training initiatives and digital tools are helping improve customer confidence and decision making.

Charging infrastructure continues to grow at pace. As of December 2025, the UK had over 87,000 public charging devices, marking a 19% year-on-year increase. Growth in ultra-rapid chargers and charging hubs has improved access for long-distance and commercial users.

However, there remains a need to focus on investment in the affordability and accessibility of private charging infrastructure, particularly for households without off-street parking. The government's £25 million cross-pavement charging scheme (part of the wider £63 million plan) is helping address this gap, enabling more families to access cheaper domestic electricity rates.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system continued | Scottish Widows

The October 2025 budget announced some significant policy changes relating to Transport's transition to net zero, including:

- Electric Vehicle Excise Duty (eVED) – From April 2028, a new mileage-based charge will apply to electric and plug-in hybrid cars alongside existing Vehicle Excise Duty
- Electric Car Grant – An extra £1.3 billion funding will be provided, with the scheme extended to 2029–30 to encourage EV uptake
- Employee Car Ownership Schemes (ECOS) – The government will bring ECOS into scope of Benefit-in-Kind tax rules, but implementation has been delayed from 6 April 2026 to 6 April 2030, with transitional arrangements until April 2031 to give the sector more time to adapt
- Plug-in Hybrid Electric Vehicle (PHEV) Tax Easement – A temporary easement will apply under Benefit-in-Kind rules from 1 January 2025 to 5 April 2028 to prevent sharp tax increases for PHEVs following new emissions standards
- Capital Allowances for Zero-Emission Vehicles and Chargepoints – The 100% first-year allowance for qualifying expenditure on zero-emission cars and EV chargepoints will be extended by one year, until 31 March 2027 for corporation tax and 5 April 2027 for income tax
- Vehicle Excise Duty (VED) Uprating – VED rates for ALL cars, vans, motorcycles and heavy goods vehicles (HGVs), and the HGV levy, will rise in line with RPI from 1 April 2026
- VED Expensive Car Supplement (ECS) – For zero-emission vehicles only, the ECS threshold will increase to £50,000, effective 1 April 2026, applying to ZEVs registered from 1 April 2025 onwards
- Cross-Pavement EV Charging – The Department for Transport will consult on permitted development rights to accelerate cross-pavement charging solutions, making EV charging easier and more accessible across England

Our actions

Improving used EV uptake via dealerships

We introduced new tools and resources to make EV adoption easier, address misconceptions and support informed financial decisions, including:

- Upgrading the Vehicle Suitability Tool to help customers assess EV fit for lifestyle and driving patterns
- Improving the Lex Autolease EV Hub with additional resources and decision-support tools
- Publishing a Transport Myth-Busting document to improve customer sentiment toward EVs
- Launching the Online Car Finance (OCF) Total Cost of Ownership (TCO) tool, enabling lifetime cost comparisons between EVs and traditional vehicles

Cashback incentives and competitive finance offers have driven strong growth in EV uptake, though dealer participation remains limited:

- We offered cashback on EV finance agreements (July–August 2025) to encourage switching to EVs
- Achieved a 103% uplift in customers choosing Lloyds Bank or Halifax as their EV finance provider
- Low APR offers and stocking facilities drove significant growth in BEV penetration, with financed units doubling year-on-year
- Stocking approach effective but limited dealer participation, highlighting need to build wider dealer confidence

We trialled new solutions and hands-on experiences to accelerate eLCV adoption among fleet customers, focusing on operational efficiency and practical support, including:

- Partnering with a third-party provider to deliver actionable insights that optimise EV adoption strategies
- Offering three-month trials of the E-Vivaro, giving fleets real-world experience with electric vans
- Developing a downtime analysis proposition to identify charging-related inefficiencies and improve operational performance

We strengthened our EV proposition and advanced strategic partnerships to expand offerings, improve charging solutions, and accelerate adoption across retail and fleet channels, including:

- Launching Lex Autolease and Tusker solutions for flexible leasing and salary sacrifice, with further enhancements planned
- Reviewing Black Horse's EV finance offering and continuing the Octopus Energy referral for convenient home charging
- Exploring site-based charging infrastructure with partners to support fleets and retail customers
- Securing agreements with Maxus for LCVs and onboarding Lotus and Maxus as key OEM partners, with further OEM discussions ongoing

We expanded salary sacrifice options to make EVs more affordable and accessible, driving strong demand, including:

- Introducing mechanisms for longer-term contracts (60 months) and used EVs
- Making Tusker salary sacrifice for used EVs available to over 1.5 million eligible employees, with strong uptake observed

We maintained strong external engagement with government and industry stakeholders to influence policy and support the EV transition, including:

- Implementing system changes for Lex Autolease and Tusker to enable the new EV grant, with frequent engagement with the Department for Transport (DfT)
- A strong programme of policy engagement including:
 - Attending round table events with DfT and other departments
 - Engagement with Ministers, MPs, MSPs at parliamentary events and party conferences
 - Engagement with senior officials across relevant departments to share insight and evidence
 - Joining the Department for Business and Trade's Vehicle Industry Policy & Regulation Group to shape sustainable transport policy
- Policy issues that were considered included:
 - Volatility in the used vehicle market
 - The impact of / need for confirmed Benefit-in-Kind rates through 2030
 - Reviewing Vehicle Excise Duty and the Expensive Car Supplement
 - Extending full expensing to leasing firms
 - Continuing the charging infrastructure rollout and reducing VAT on public charging

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system continued | Scottish Widows



Road passenger transport

Our clients whose primary business is transportation of passengers includes buses, coaches, taxis and rentals.

Decarbonisation of this sector is driven by the move from internal combustion engines to low or zero emission alternatives such as EVs.

Target

47%

road passenger transport emissions intensity reduction (gCO₂e/pkm) between 2019 and 2030

The target has been restated in line with the CCC Seventh Carbon Budget as outlined on [page 64](#). Our target is a 47% emissions intensity reduction, from our 2019 baseline of 125gCO₂e/pkm to 67gCO₂e/pkm by 2030. The 2019 portfolio baseline and subsequent years have been restated. The portfolio baseline has moved from 141gCO₂e/pkm to 125gCO₂e/pkm, driven by emission updates at client and sector level alongside updates to passenger data being published or identified.

¹ £1 billion government funding boost for bus services across England to help end postcode lottery – GOV.UK →

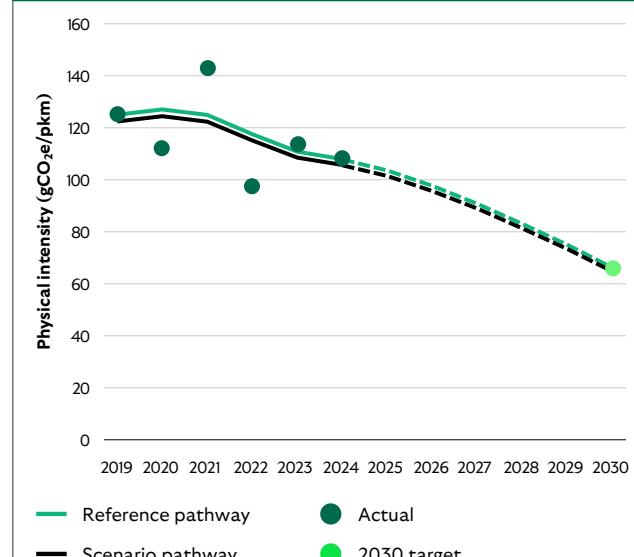
Progress update

From 2019 to 2024 the emissions intensity decreased from 125gCO₂e/pkm to 109gCO₂e/pkm, falling short of our reference pathway expectation by approximately 0.6% in 2024.

The reduction to date is due to client emission reductions over the period, and a change in portfolio mix including additional lending to lower emission intensity clients as part of the strategy to support the transition, along with a larger percentage of clients now reporting actual mileage data.

Looking forward to 2030 there is uncertainty in our ability to achieve our 2030 ambition as we ensure we continue to support our clients' transition financing needs. We also assume that our clients deliver against their net zero targets, which are heavily dependent on domestic and global governments, policies supporting the adoption of low emission vehicles, as well as public and private charging infrastructure.

Road passenger transport emissions intensity reduction 2019 to 2030



Achievement of target pathways is contingent on market developments, policy shifts and dependency assumptions. Please see the Risks and dependencies section.

Risks and dependencies

In the bus sector, the Department for Transport (DfT) set expectations for decarbonisation, supported by over £1 billion in funding in 2024. We expect that this investment will enhance popular routes, protect rural services and increase bus use¹. The UK DfT's 2023 National Travel Survey found trips by car or van account for 78% of all distance travelled, while buses represent just 3%. This impact is greater when bus journeys are zero-emission, underscoring the urgency of this transition. However, most bus operators have decarbonisation targets for 2035 rather than 2030, raising concerns that action may be delayed.

For coach, taxi, and rental operators, the transition to low- and zero-emission vehicles is shaped by factors such as performance and whole-life costs as well as policy incentives, and the availability of charging infrastructure. Each segment faces distinct challenges: coaches contend with technology limitations, significant upfront and operational performance implications; rental operators must overcome consumer hesitancy and unfamiliarity with charging networks; and taxis are influenced by government incentives and inner-city schemes like Ultra Low Emission Zone (ULEZ).

The timing and scale of investment across all segments will be critical to achieve sector-wide emissions reduction targets and to ensure a just transition for operators and customers.

Our actions

This year we continued our in-depth review and consideration of clients' transition-related targets, commitments and progress. For more information on our CTP process see [pages 82 to 83](#).

For the UK bus sector, we continue to explore funding options to support investment in zero-emission buses. This includes solutions such as corporate lending, asset finance, and project finance. We seek opportunities to engage with government, recognising that improved quality, greater availability and low-emission public transport are important to reducing emissions. These initiatives support decarbonisation with public and private investors playing an important role in driving regional regeneration.

Purpose in action

Driving sustainable transport with FirstGroup

Lloyds Banking Group has deepened its 20+ year relationship with FirstGroup plc, one of the UK's leading public transport operators.

In 2025, Lloyds Bank acted as Mandated Lead Arranger and sole hedge provider for a new £150 million term loan, pivotal in enabling FirstGroup's strategic acquisition of RATP's London bus operations. This marked FirstGroup's re-entry into the London bus market, adding around 1,000 buses, one third of which are electric, and c.900 routes to its portfolio. The facility was structured to provide both acquisition funding and headroom for further capital expenditure. Our collaboration exemplifies how innovative finance and sector expertise can accelerate the transition.

This built on the successful £150 million Green Asset Finance Hire Purchase facility that completed in 2023, where Lloyds led the bank group to fund 1,000 zero-emission bus husks. The facility continues to support the procurement of new electric buses, underpinning FirstGroup's commitment to operate a fully zero-emission commercial bus fleet by 2035.

Supporting their transition, FirstGroup currently operates three fully electric depots and 17 partially electrified depots. They invested c.£88 million in FY 2025 in electrification, supported net of £22 million in government co-funding. The depot electrification also supports third-party charging access including with businesses such as Centrica and eHGV operators.

As FirstGroup grows and diversifies, we are proud to support them deliver cleaner, greener and more accessible public transport for communities nationwide.

SDG 11.2

By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.

Link to strategy



Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | **Transition plan by system** continued | Scottish Widows



Aviation

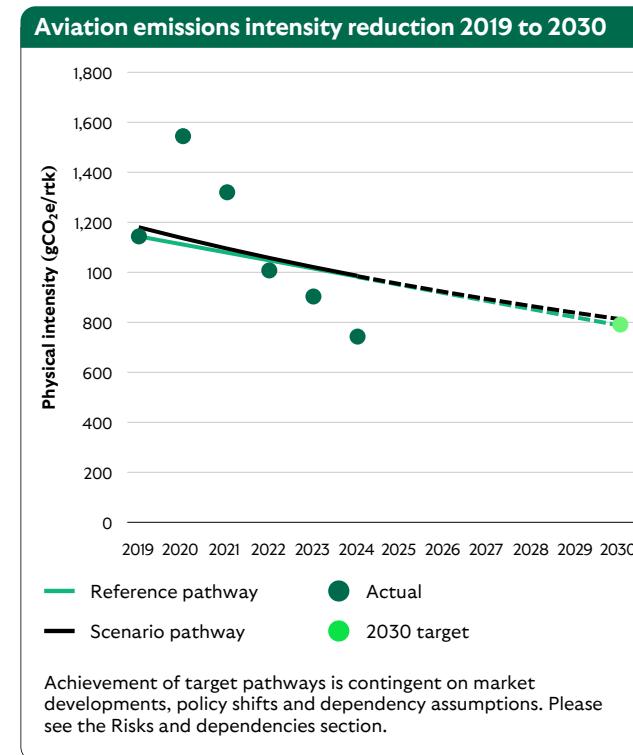
Aviation (passenger and freight transport) is a hard-to-abate sector, with the required scale-up of sustainable aviation fuels and maturing of low carbon propulsion technologies still many years away.

Target

31%

aviation emissions intensity reduction (gCO₂e/rtk) between 2019 and 2030

Our target is to reduce the emissions intensity per revenue tonne kilometre of our aviation portfolio by 31% from a 2019 baseline of 1,143gCO₂e/rtk, reaching 788gCO₂e/rtk by 2030 (based on the IEA ETP 2020 scenario, aligned with well below 2°C). The 2019 portfolio baseline has been restated from 1,068gCO₂e/rtk to 1,143gCO₂e/rtk, driven primarily by the use of better scope 3 data in alignment to our prescribed data hierarchy for one client. This has also impacted subsequent years.



Progress update

From 2019 to 2024 emissions intensity decreased from 1,143gCO₂e/rtk to 743gCO₂e/rtk. This is both due to sector changes whereby emissions per kilometre flown have reduced, and due to a reduction of our exposure to this portfolio.

Looking forward to 2030 there is uncertainty in our ability to achieve our 2030 ambition as we ensure we continue to support our clients' transition financing needs. Material dependencies in achieving net zero targets include increasing adoption of Sustainable Aviation Fuel (SAF), new aircraft delivery and alternative technology development.

Risks and dependencies

Decarbonisation of the aviation sector is heavily dependent on the availability and scale-up of SAF, as well as the development of alternative propulsion technologies such as battery-electric and hydrogen-powered aircraft. While most airlines have set ambitious emissions reduction goals, achieving these targets will require overcoming structural and market challenges.

Policy measures are beginning to shape the market: the UK's SAF mandate, introduced in 2025, requires fuel suppliers to blend a minimum proportion of SAF starting at 2% in 2025, rising to 10% by 2030 and 22% by 2040¹. This mandate is designed to incentivise production and secure demand, providing a clearer pathway for investment.

However, the UK's Seventh Carbon Budget highlights the sector's continued reliance on scaling up the availability of sustainable aviation fuels². Even with the mandate in place, current projections indicate that supply constraints, particularly for synthetic fuels, may result in uptake falling short of what is required to meet national emissions targets. This underscores the ongoing need for robust policy support, greater industry collaboration, and continued innovation in SAF, battery and hydrogen technologies.

Our actions

This year, we continued our in-depth review and considerations of clients' transition-related targets, commitments and progress. Our key strategic lever for this sector continues to be working with our clients to set targets and develop plans aligned with a well below 2°C (WB2D) pathway. Although we encourage ambitious plans aligned with 1.5°C, we recognise that with today's technology, the sector's path is only aligned with a WB2D pathway. For more information on our CTP process see **pages 82 to 83**.

In 2025, many of our clients have continued to announce ambitious investments to enhance the efficiency of their fleets over the next decade. We expect the implementation of these initiatives will be a cornerstone of their emissions reduction journey and will be monitored through our ongoing CTP assessments.



¹ Sustainable Aviation Fuel (SAF) Mandate – GOV.UK →

² The Seventh Carbon Budget – Climate Change Committee →

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | **Transition plan by system** continued | Scottish Widows



Automotive original equipment manufacturers (OEMs)

A key driver for automotive OEMs is consumer appetite for EVs. This is dependent on a competitive market with attractive pricing for both new and second-hand models, together with the widespread availability of cost-effective charging infrastructure.

Target

47%

automotive OEMs emissions intensity reduction (gCO₂e/vkm) between 2020 and 2030

Our target is to reduce the emissions intensity (including scope 1, 2 and 3 emissions) of our automotive OEMs portfolio by 47% from a 2020 baseline of 246gCO₂e/vkm, reaching 131gCO₂e/vkm in 2030.

The 2020 portfolio baseline and subsequent years has been restated when compared to our original disclosure due to better data availability and increases in coverage of client reported data. The 2020 portfolio baseline has been restated from 249gCO₂e/vkm to 246gCO₂e/vkm.

Progress update

From 2020 to 2024 emissions intensity decreased from 246gCO₂e/vkm to 234gCO₂e/vkm, falling behind our reference pathway by 18.7%. Decarbonisation of scope 3 use of sold products remains a challenge for this sector with a dependency on EV adoption increasing to 2030, supported by technological developments in EV driving range, charging infrastructure and government policy.

Looking forward to 2030 there is uncertainty in our ability to achieve our 2030 ambition as we ensure we continue to support our clients' transition financing needs. We also assume that our clients deliver against their net zero targets which are heavily dependent on clear policy frameworks for industry and consumers, and the rollout of reliable charging infrastructure.

Risks and dependencies

The transition of the Automotive OEMs is key to delivering not only this target but also our targets in retail motor (cars and LCVs) and road passenger (buses, coaches, taxis and rentals).

The UK's Seventh Carbon Budget projects that EVs will reach price parity with petrol and diesel cars between 2026 and 2028, after which households are expected to benefit from lower upfront costs and reduced running expenses¹. Electricity, particularly from renewable sources, is anticipated to remain more affordable and stable than fossil fuels, supported by grid upgrades and continued decarbonisation.

However, widespread adoption depends on clear policy frameworks and the rollout of reliable, cost-effective charging infrastructure. Consumer appetite for EVs is shaped by cost of living pressures, improvements in battery range and policy certainty. An additional challenge is that automotive is a global industry, which introduces further risk as supply chain disruptions and uncertainty around legislation and trade can impact production and delivery timelines.

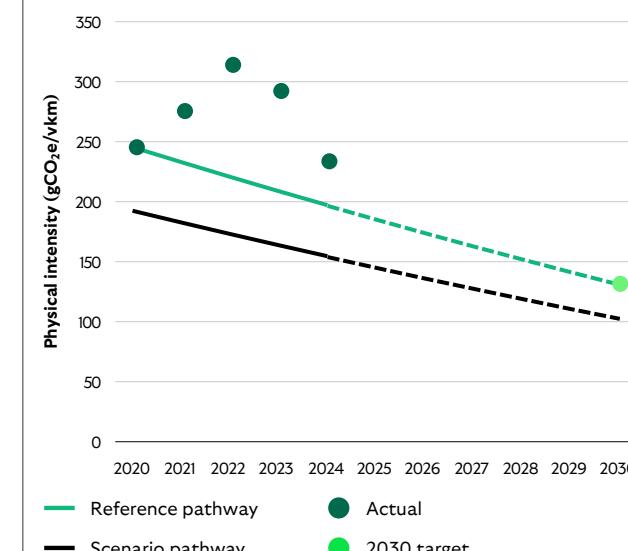
Our actions

This year we continued our in-depth review and consideration of clients' transition-related targets, commitments and progress. For more information on our CTP process see [pages 82 to 83](#).

We continue supporting the transition of traditional automotive manufacturers, alongside working with EV-only producers, recognising both as critical to sector-wide decarbonisation. In 2024, having engaged all clients in this sector on their transition plans, we confirmed that the majority have adopted 1.5°C-aligned scope 1 and 2 targets through the Science Based Targets initiative (SBTi), with the remainder publishing equivalent commitments.

Looking ahead, our priority is to ensure these targets translate into measurable progress. We plan to work with clients to monitor delivery against their plans, and by 2030, we expect all clients to be meeting these indicators. We recognise the UK is a small part of what is a global industry and that government and regulatory targets vary by region.

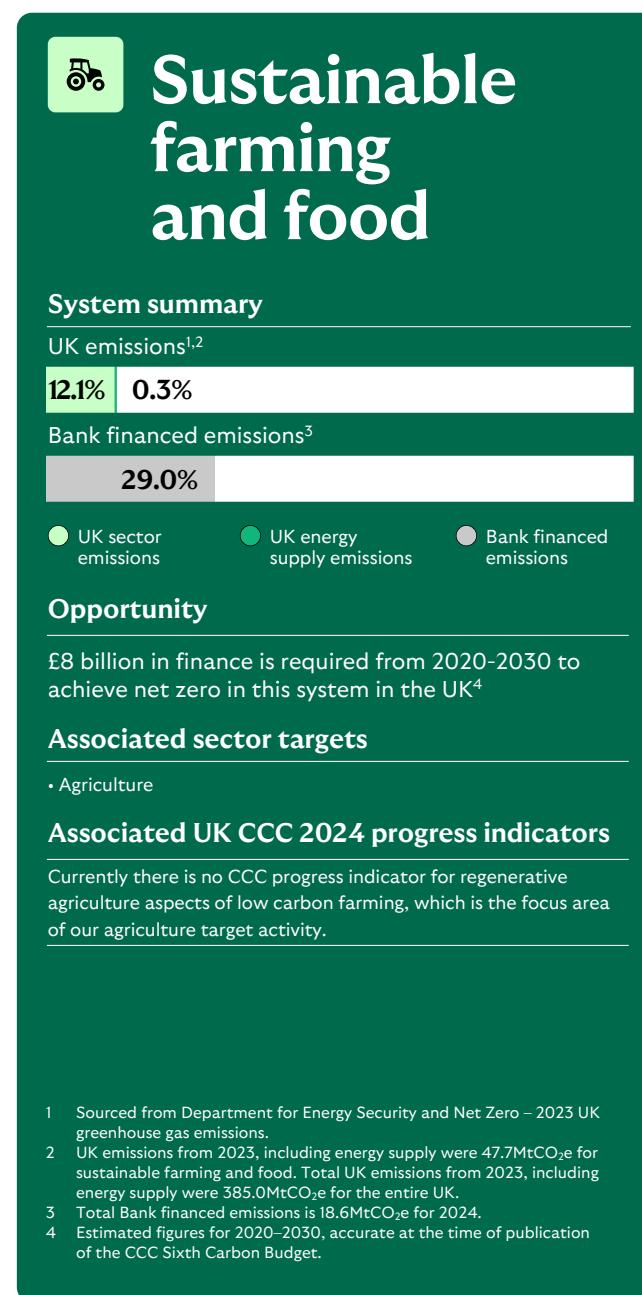
Automotive OEMs emissions intensity reduction 2020 to 2030



Achievement of target pathways is contingent on market developments, policy shifts and dependency assumptions. Please see the Risks and dependencies section.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system continued | Scottish Widows



System focus

Our sustainable farming and food system addresses primary agriculture and the food value chain, which play a significant role in tackling many of the UK's sustainability challenges. Alongside producing food, British farmers also maintain c.70% of the UK's land and thereby have a key role to play in both protecting and restoring nature.

Conversely, the food system makes up a large share of UK GHG emissions, and is classified as a sector that is difficult to abate. Given our high market share to the farming sector and the wider food system, we have a greater exposure compared to the UK average, making it a material contributor to the Bank's financed emissions.

From October 2023 to March 2024 the UK experienced its wettest winter on record, followed by the driest spring in over half a century in 2025¹. This led to arable income falling by £1.2 billion in '23-'24² and to England having its second worst harvest on record in 2025. Such challenges in the UK and globally are impacting food prices, with those foods most vulnerable to climate-driven extreme weather – such as chocolate, butter, beef, coffee and milk – climbing more than four times faster than the rate of inflation for other food products³.

At a time when 35% of farmers did not make a profit in 2025⁴, the need to transition to more sustainable business models is clear.

This typically includes the adoption of regenerative and more resilient agricultural practices – requiring collaboration across the entire value chain, supported by an enabling policy environment. This includes food processors, wholesalers, retailers and restaurants as well as logistics businesses, financiers and insurers who will need to develop new and innovative private financing propositions alongside government support – ultimately supporting farmers to be more financially resilient.

1 Double record breaker: Spring 2025 is warmest and sunniest on UK record →

2 Climate impacts slash UK arable incomes by 1 billion Defra says →

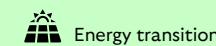
3 Why food prices are still rising: butter, beef and milk to blame →

4 Farmdex Report 2025 →

Current areas of focus

Value chain segment	System interactions	Changes needed
Raw materials		<ul style="list-style-type: none"> Sustainable supply chains and benign-by-design chemical inputs Animal feed from sustainable sources Transparent, ethical mineral sourcing for parts and machinery
On-farm production		<ul style="list-style-type: none"> A move to protect and restore habitats and soil health, with an increased use of agroforestry, hedgerows and regenerative agriculture practices More efficient livestock production with a switch to other crop types including nitrogen fixing, and cover crops On-site energy generation and efficient use of energy, water and chemicals
Processing and manufacturing (food and packaging)		<ul style="list-style-type: none"> Reduction of food waste in manufacturing processes Reduction in the use of plastic and other packaging or a switch to biodegradable alternatives
Retail & distribution		<ul style="list-style-type: none"> Lower use of packaging and reusable, recyclable or biodegradable packaging Use of low carbon vehicles and distributed networks to minimise food miles

Systems Key



Energy transition



Greening the built environment



Low carbon transport



Sustainable farming and food

Key dependencies
Common data standards to measure emissions and articulate economics of transition.

Government-backed agricultural policies and incentives to stimulate widespread adoption of low-carbon farming practices.
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Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | **Transition plan by system** continued | Scottish Widows

Integrating nature

The futures of our food system and our natural environment are inextricably linked, as was demonstrated by our nature materiality assessment highlighting agriculture as our most material sector for nature impacts and dependencies. Our pilot to analyse location-specific data with Earth Blox mapped our agricultural clients using geospatial data across 5.1 million hectares and allowed us to identify where farming activities connect with nature, aligned with TNFD guidance.

We combined this geospatial data with publicly available information on land and crop classification to identify whether farms operate near sensitive locations with potentially elevated nature-related risks, such as areas of physical water stress or areas of importance for biodiversity. Over 60% of our clients are located within or near to protected areas and almost all of our clients are at risk of being either directly or indirectly impacted by flooding, such as through disruptions to transport networks close to their farm.

We also assessed pressures on nature, such as fertiliser and pesticide use, and water demand that impact the ability of nature to deliver vital ecosystem services. We were able to build our understanding of the extent to which each farm may be dependent on those ecosystem services, many of which are in decline due to the degradation of nature. Most of the highest dependencies were as anticipated, with the majority of our portfolio dependent on soil quality regulation and flood mitigation, alongside a clear role for nature in improving water quality and providing supporting services such as biological control and pollination.

We have leveraged these data insights to provide the largest UK study of its kind that helps farmers and rural businesses understand where targeted interventions and practice changes can have the greatest impact. We've built a comprehensive map of opportunities that exist to improve nature's co-existence with farming, to support farm level action aligned to the UK's environmental and economic goals, showcased in our report [Farming with Nature: mapping the growth opportunity for UK agriculture](#) →

Our priority actions	
Priority actions	Progress in 2025
Using our voice to articulate the challenges of our clients, through policy engagement with government and industry bodies.	We shared our agricultural clients' experiences with Ministers and officials, and advocated for policy changes to support a resilient sector. We contributed to Defra's policy work, including the Environmental Improvement Plan, Land Use Framework and the Farming Profitability Review. In 2026, we plan to continue working with Defra on policy delivery and the 25-Year Farming Roadmap.
In collaboration with SAX and Finance Earth, we are supporting a pilot of a new financing model, 'Exchange Market', to reward farmers for prioritising environmental outcomes.	With SAX and Finance Earth, we launched the 'Exchange Market' in January 2025 to reward farmers for environmental outcomes. Carbon removals are being added to the programme for 2026 and there are plans to expand to more sub-sectors and funders.
Expanding on our current initiatives to enhance our strategy for the broader food value chain. This involves identifying opportunities and risks, and collaboratively developing solutions to transform the food system.	We are helping supply chain businesses develop financing for suppliers to support sustainability. Through UK Finance, we're collaborating with other agriculture banks to promote engaging farmers on sustainable practices, and exploring ways to reduce transition risks, including investment and insurance products.
Continue our in-depth review and consideration of clients' transition-related targets, commitments and progress.	For more information on our CTP process see pages 82 to 83 .

We have further used our insights to support our framework pilot to consider the nature-related impacts and dependencies of our climate levers in this sector. The majority of our agricultural climate levers have an overall positive impact on nature. However, we identified a number of opportunities to safeguard nature from impacts associated with a small set of activities, such

as the construction of water reservoirs, and plan to consider how we can support clients to understand topics such as waste impacts, nutrient management plans and climate and nature markets as a result.

2026 look ahead system actions

The agriculture sector remains dependent on clear UK policy direction and investment. Key enablers include scaling regenerative practices, improving data standards and unlocking blended finance to support farmers through multi-year change. Successful progress also requires strong industry engagement to establish common data standards and foster collaboration across the supply chain, ensuring costs and responsibilities for transitioning to regenerative practices are shared fairly. We plan to continue to work closely with clients to provide tailored financial solutions, such as our Agricultural Transition Finance product and leverage our partnerships such as Soil Association Exchange, which includes Exchange Market – this helps farmers measure their environmental footprint and access funding. By combining enhanced data with innovative finance, we aim to reduce emissions, strengthen resilience and ensure the benefits of the transition are shared across rural communities.



Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | **Transition plan by system** continued | Scottish Widows



Agriculture

Agriculture accounts for 30% of the Bank's scope 3 financed emissions, and supporting the decarbonisation of this sector is a priority for the Group.

Target

23%

agriculture absolute emissions reduction (MtCO₂e) between 2021 and 2030



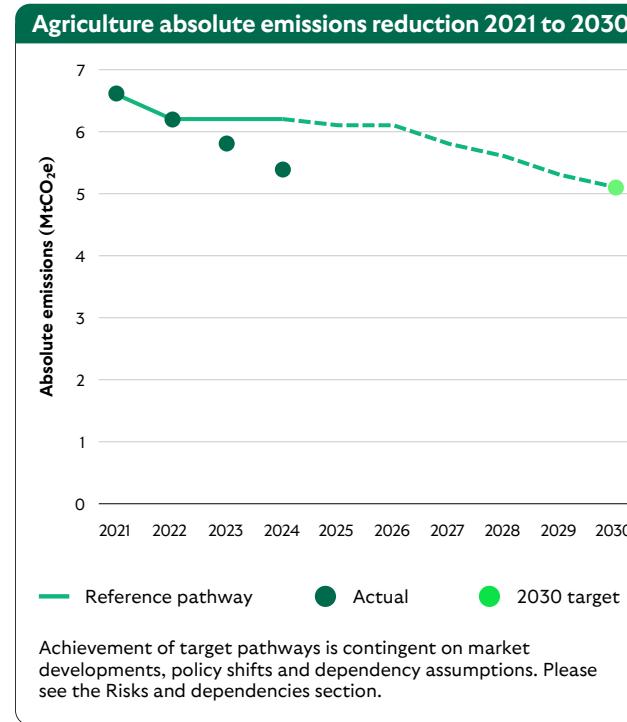
The target has been restated in line with the CCC Seventh Carbon Budget as outlined on [page 64](#). Our target is to reduce absolute emissions by 23% between 2021 and 2030 (from 6.6MtCO₂e to 5.4MtCO₂e). The portfolio absolute finance emissions for the 2021 baseline year has decreased from 6.7MtCO₂e to 6.6MtCO₂e due to movements driven by externally sourced emission factors and client-level reported emissions.

Our target covers emissions from primary agriculture and does not include Land Use, Land Use Change and Forestry (LULUCF) measures (e.g. afforestation, peatland restoration and bio-energy crops which sequester carbon) as accounting for how these measures affect carbon emissions and sequestration is complex and currently very uncertain. However, we know that natural processes play a critical role in sequestering carbon so we are investigating data options in accounting for LULUCF measures.

Progress update

From 2021 to 2024 the absolute emissions of the agriculture portfolio reduced by 19%, from 6.6MtCO₂e to 5.4MtCO₂e. This reduction is primarily driven by a reduction in drawn balances compared with the baseline year.

The graph includes our projected absolute emissions reductions to 2030. We note to date the reductions we have observed are primarily driven by changes in drawn balance and there is considerable uncertainty about how the food sector will transition, and both of these factors will affect our 2030 outcome.



Risks and dependencies

There is considerable uncertainty about how the food sector will transition to meet net zero targets. Agriculture is the UK's fourth-highest emitting sector, and progress is challenged by limited data and a strong reliance on government policy to shape the pace and nature of change.

While this transition presents challenges, it also offers broader benefits, including more sustainable food systems, greater farm business resilience, economic growth and improved UK food security. Government support remains critical, not only for funding but also for providing regulatory clarity to attract private capital.

The Climate Change Committee's (CCC) 2025 Progress Report shows most agricultural indicators are off track. Achieving net zero will require significant investment, with the majority expected to come from the private sector.

Net zero in agriculture will require a mix of regenerative farming practices, woodland expansion and peatland restoration. Farmers are central to this transition but face barriers such as policy uncertainty, cash flow constraints and the upfront costs of adopting new practices. For example, regenerative farming may initially reduce yields and require several years before financial benefits are realised.

Farmers also face external pressures from retailers and processors to reduce scope 3 emissions and meet accreditation standards. Raising client awareness, providing targeted education and developing financial products that reflect seasonal cash flow and delayed financial returns will be essential. The effectiveness of mitigation options depends on farm-specific factors, making scalability complex. Many enabling technologies, such as robotics and automation, are still in development and will require further investment.

Finally, it is important to recognise the symbiotic relationship between agriculture and nature. Farms depend on healthy ecosystems, while sustainable practices enhance biodiversity and soil health, supporting productivity and business resilience against climate risks.

¹ For our absolute targets we display the forward looking year on year reduction required from the Scenario Pathway as our Reference Pathway, as the scale required for the country or global level Scenario Pathway would make our reference pathway unreadable.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system continued | Scottish Widows

Purpose in action

Moor Farm

Moor Farm, a 154-hectare enterprise in Baschurch, Shropshire, demonstrates how sustainability and profitability can work hand in hand. Managed by Daniel Roberts and his family, the farm combines a pedigree Hereford herd with diversified income streams, including a farm shop and café, grain drying facilities, arable land, and an international-grade polo pitch.

After experiencing financial challenges in the cattle business, they adopted regenerative practices inspired by Gabe Brown. Key actions included eliminating ad-lib feed, saving £30,000 annually and transitioning to a grass-based system with strip grazing. These changes improved resilience during extreme weather, ensuring forage availability even in hot, dry years.

Further investments have strengthened sustainability credentials. A subterranean rainwater harvesting system secures water for livestock, while a 100kW solar array powers the farm shop and café, reducing energy costs and emissions. These initiatives were supported by Lloyds Banking Group alongside grants linked to regenerative practices.

Participation in the Soil Association Exchange baselining audit, funded by Lloyds Bank, enables Moor Farm to measure sustainability performance, track progress and make targeted improvements. Adoption of regenerative practices, quantified through the SAX tool, opens access to premium markets. With demand for ethical, low-carbon food rising, the farm is well positioned to capture new revenue streams. Moor Farm illustrates how regenerative agriculture can deliver cost savings, climate resilience and market differentiation, offering significant potential for profitability and sustainability when scaled across the sector.



SDG 2.4

By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.

Link to strategy



Our actions

2025 saw further investment in the Exchange Explore app, enhancing the free-to-use app that helps farmers record sustainability data and access tailored recommendations, including funding opportunities from public and private sources. Additional functionality is planned for 2026 to broaden support for farm businesses.

Through Exchange Excel consultancy, more than 800 farms have completed whole-farm environmental baselining and action plans. Participating farmers can use these baseline measurements to track their progress over time as they implement the recommendations and measure the impact on both environmental metrics and profitability.

In January 2025 we launched Exchange Market, which was developed with Soil Association Exchange and Finance Earth as a Within Value Chain Mitigation (WVCM) product that pays farmers for reductions in CO₂e emissions coming from practice changes. This is funded by Lloyds Banking Group along with Tesco, Co-Op, Lidl, The Church Commissioners and two global food production businesses in exchange for reporting associated scope 3 emission reductions.

In December 2025, we launched the Agricultural Transition Finance loan to help farmers adopt regenerative practices. The product offers arrangement-fee-free lending and, where appropriate, an upfront capital repayment holiday of up to five years, providing cash flow flexibility to manage short-term risks. Regenerative practices generally deliver long-term benefits, including lower input costs, improved profitability, and greater resilience through healthier soils and diversified systems that reduce yield volatility and exposure to global shocks.

We are focused on helping our farming customers make the most of the financial opportunities that come from the transition. We have improved our ESG tool, which is used by our Relationship Managers, to include improved focus on nature and biodiversity.

This year, we published our Farming with Nature report, where we have scaled our nature-related risk analysis across 5.1 million hectares of UK farmland – around 30% of the utilised UK agricultural area – using Earth Blox's geospatial platform. By combining satellite data with farm-level insights from our work with Soil Association Exchange, we can identify where nature impacts are high and resilience is low, enabling targeted support and tailored financial solutions. Through initiatives such as the Soil Association Exchange and TNFD-aligned pilots, we are helping clients measure their environmental footprint, unlock premium markets, and co-invest in a functioning environmental economy where value is shared and risk is managed.

We continue to engage with policymakers to advocate for a resilient future for UK farming. This included meetings with Ministers, opposition spokespeople, rural MPs, devolved administrations, and officials from HM Treasury and Defra to share insights and discuss sector needs. We also contributed to major workstreams, including the Environmental Improvement Plan, Land Use Framework consultation, and the Farming Profitability Review led by Baroness Batters. Policy direction remains key to driving the sector's transition, with our engagement focused on the following key asks:

- 1. 25-Year Farming Roadmap** – Develop the Roadmap to create an enduring, long-term plan linking productivity, food security and nature recovery, providing stability for farm businesses and investors as a single reference point for the transition.
- 2. Common Data Standard** – Adopt a single, trusted methodology for measuring farm environmental impact to build confidence and simplify access to public and private finance.
- 3. Support for third-income models** – Enable income from carbon, biodiversity and water services through clear rules, verification and long-term policy support.
- 4. Blended finance** – Use public funds to de-risk private investment and scale multi-year sustainable farming practices.

Purpose in action

ASDA Supply chain

This year, we partnered with Asda to deliver their sustainability-linked supply chain finance programme, reflecting our commitment to helping clients integrate sustainability across multiple components of their financing, while driving positive impact across supply chains.

This new programme builds upon our long-standing relationship with Asda, converting their existing supply chain finance programme into a sustainability-linked solution. This provides a financial incentive for suppliers by offering enhanced rates and early payment for achieving specific sustainability targets. This is alongside the other benefits of supplier finance such as working capital optimisation and risk mitigation.

Understanding our clients' sustainability strategy is key to building a successful programme which strives for meaningful impact. For Asda, this means focusing on building resilient supply chains, reducing carbon emissions, and continuously improving responsible sourcing.

By linking financing terms to measurable sustainability outcomes, the programme strengthens supplier engagement and drives tangible impact across the value chain. It also enables Asda to gain greater visibility and monitoring of its scope 3 emissions. The programme also deepens our strategic relationship with Asda by positioning Lloyds Bank as a trusted partner in delivering innovative, sustainability-focused, financial solutions that align with their long-term objectives and creates a more resilient, connected and transparent supply chain.



SDG 12.6

Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.



SDG 12.7

Promote public procurement practices that are sustainable, in accordance with national policies and priorities.

Link to strategy



Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system | **Scottish Widows**



Scottish Widows

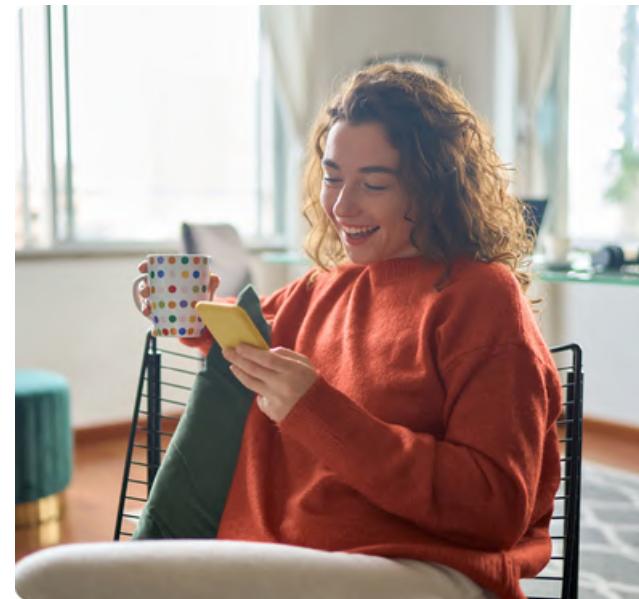
Our priority is to deliver resilient financial returns for our customers by addressing the risks posed by climate change and leveraging the growth opportunities provided by the transition to net zero.

Entity and product-level disclosures for the year ending 2025, required under the Financial Conduct Authority (FCA) ESG Sourcebook Chapter 2 'Disclosure of climate-related financial information', will be published by June 2026.

Scottish Widows Group also underwrites the home insurance propositions for Lloyds Banking Group. Details of this can be found on [page 99](#) of this report.

Our investments' carbon footprint¹ is the principal metric for measuring our global investment portfolio's financed emissions and monitoring progress towards our targets. This metric is calculated from Scottish Widows' scope 3 financed emissions which are calculated from the scope 1 and 2 emissions generated from our investments or lending.

It is our intention to enhance this with a more forward-looking measure by assessing the alignment of our investee companies with the goals of the Paris Agreement.



Our ambition

In support of the goals of the Paris Agreement, we remain committed to our ambition of achieving net zero carbon emissions across our investment portfolio by 2050 (from a 2019 baseline). We set ourselves the following interim targets.

2025

Invest between £20–25 billion in climate-aware investment strategies², with at least £1 billion invested into climate solutions investments²

2030

Halve the carbon footprint¹ of our investment portfolios

¹ Carbon footprint is a measure of carbon intensity calculated as absolute value of emissions applicable to an investment divided by the value of investment.

² Climate-aware investment strategies: This refers to funds that have a focus on investment in companies that are either adapting their businesses to reduce carbon emissions or developing solutions to address climate change. We will invest in climate solution investments either within these strategies or other funds. For more information on our calculation methodology for these targets please see the sustainability metrics basis of reporting which is available online in our [sustainability downloads](#) →

④ Indicator is subject to limited assurance by Deloitte LLP see [page 02](#) for details.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system | **Scottish Widows continued**

→ Progress against targets

Carbon emission reduction ambition and targets

To achieve a gradual reduction in overall emissions contained in our investment portfolios to net zero by 2050, we are engaging with companies we invest in directly, and via our investment management partners, to encourage them to embark on transition pathways of a scale and pace needed to meet the global warming objectives of the Paris Agreement.

The extent to which we can meet our 2030 target and 2050 ambition is influenced by the pace towards net zero of the wider economy.

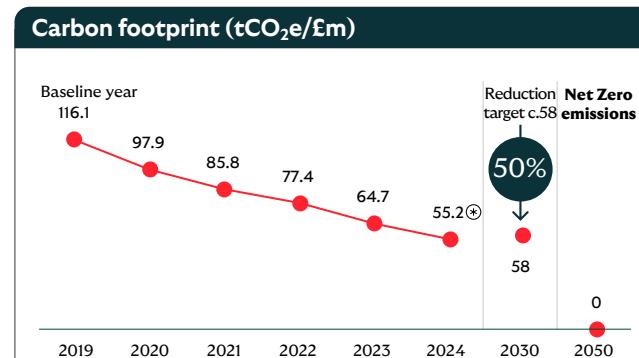
£81.3bn[®]

achieved in discretionary investment in climate-aware strategies by the end of 2025
of which

£5.5bn[®]

achieved in discretionary investment in climate solutions by the end of 2025

Climate-aware investments increased by £55.4 billion in 2025 driven by the launch of Scottish Widows Lifetime Investment, bringing overall investments to £81.3 billion, with the original target met at the end of 2024.



Our Scottish Widows Group 2024 carbon footprint was 55.2tCO₂e/£m, down from our 2019 baseline of 116.1tCO₂e/£m, which represents a 52% decrease. Whilst financed emissions continued to decline over 2024, the more significant driver of the fall in footprint was the rise in the market value of the investment portfolio in line with market performances over the year. We note that any reversal of performance trends can be expected to have an opposite impact on portfolio footprint to date. We consider the long-term trend of our carbon footprint to avoid the impact of short-term market volatility on results and decision making. Further details of our financed emissions can be found on [pages 116 to 118](#).

As the carbon footprint is sensitive to market fluctuations, in addition to the absolute value of investee and borrower emissions and our own investment activity, we expect to see short-term variation of the footprint and will be studying the medium-term trend from future reporting.

[®] Indicator is subject to limited assurance by Deloitte LLP for further details see [page 02](#).

→ Scottish Widows Transition Plan

Our updated transition plan – The Road to 2030 and Beyond →

– reaffirms our commitment to investing for a net zero by 2050 transition that delivers good customer outcomes. In this new plan, we detail how we invest and influence to drive the transition, and monitor our progress.

Ambition – Transitioning to net zero by 2050

Our plan outlines a clear ambition to achieve net zero across our investment portfolio by 2050, with an interim target to halve its carbon footprint by 2030 (relative to a 2019 baseline). The plan shifts focus from just looking at portfolio decarbonisation towards enabling real-world emissions reduction and delivering sustainable and resilient investment outcomes for customers. The approach is shaped by the latest industry frameworks, notably the IIGCC Net Zero Investment Framework (NZIF 2.0) and the UK Transition Plan Taskforce recommendations.

What's new?

- Focus on investing in climate leaders that are aligned to the goals of the Paris Agreement, and influence climate laggards that are not aligned.
- Seek new climate and nature solutions opportunities, particularly through private markets.
- Take a holistic, systems-level approach to net zero that connects climate, nature and social issues.

Financing reduced emissions with 'alignment' at the core

We use alignment data to identify climate leaders and laggards, guiding our investment decisions. In 2024, we partnered with Robeco to create bespoke listed equity indices for workplace pensions, embedding Robeco's climate alignment framework. This assesses companies on the ambition and credibility of their decarbonisation plans, categorising them as 'Aligned', 'Aligning', 'Partially aligning', or 'Misaligned'. We believe investing in companies aligned with the Paris Agreement offers growth opportunities. Our article '[Scottish Widows – From emissions to alignment](#)' provides further information on how we are embedding forward-looking metrics into investment strategy.

Investing in climate and nature solutions through private markets

Through the launch of LTAFs (long-term asset funds), we aim to increase investments in private markets to support climate and nature solutions with measurable impact. Private market investments offer diversification and can target sectors that may be under-represented or not available in public markets, such as renewable energy infrastructure and sustainable agriculture. These investments provide opportunities for identifiable real-world impact and support the UN Sustainable Development Goals, whilst offering attractive long-term return potential. Investing in private markets comes with a different risk and return profile from public markets given the more illiquid nature of investments.

A holistic approach to net zero

We recognise the interconnectedness of climate, nature and social issues. Achieving net zero by 2050 requires considering the links between decarbonisation, social implications, and natural resources. We believe investors and policymakers must understand these interdependencies to make meaningful progress.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system | **Scottish Widows** continued

Embedding nature

Climate and nature are closely linked and loss of ecosystems can increase emissions and business risks. We have begun assessing nature-related impacts and dependencies in our portfolios and are working to integrate these considerations into our investment processes. Our LTAF may provide a degree of direct access to natural capital investments.

Stewardship: Influence laggards and system-level engagement

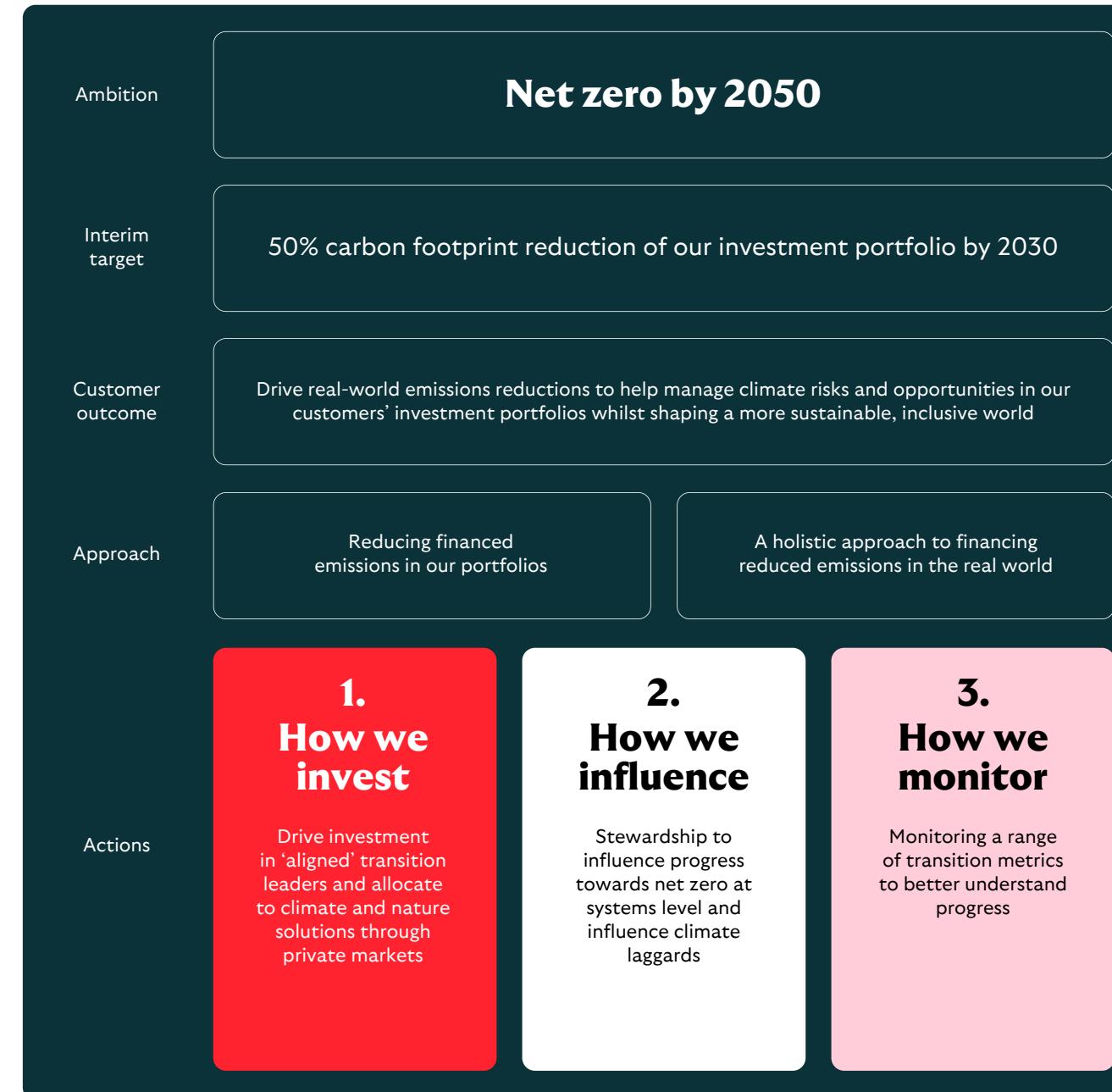
Stewardship is central to our ambition. Climate has been a key theme since 2020, and we now also focus on nature and just transition. We use alignment data to identify and influence climate laggards, set expectations for our investment managers, and engage directly with high-emitting companies and policymakers to drive best practice at a system level.

Dependencies and assumptions

Progress towards our goals depends on external factors across the value chain, from customer preferences to global policy – factors we cannot always control. We therefore seek to address and influence them through engagement with customers, investee companies, managers and policymakers, as outlined in our Responsible Investment and Stewardship Report. Achieving a just transition will require ongoing collaboration and adaptation as the policy and market landscape evolves.

Identified opportunities

We believe that implementing the actions set out in our transition plan through how we invest and influence provides an opportunity for us to play our part in contributing towards change in the real economy and delivering better outcomes for our customers. This not only enables us to help tackle climate change and nature loss as systemic risks and shape a more sustainable world to retire into, but also provides the opportunity to build more resilient investment portfolios in the long term.



Ambition into action: our new default

At the beginning of 2025, we launched our new Workplace default – Lifetime Investment – and included an enhanced ESG Strategy. This marked an evolution in our approach. We apply our Scottish Widows exclusions policy and explicitly include ESG and sustainability tilts into our solutions. We believe this helps enhance portfolio resilience and helps deliver better outcomes for our customers. The multi-dimensional climate approach in this solution includes a specific carbon reduction relative to benchmark of 50%, alongside company investment uplifts based on sustainability-related metrics such as credible alignment to Paris Agreement, SDGs, green revenues and bonds, equality and diversity.

We will continue to evolve Lifetime Investment – including adding private assets, via LTAFs, as an option for customers in 2026. We believe including LTAFs better aligns risk and return through the retirement journey of our pensions customers. Diversification within these funds is a key element; we expect additional opportunities to include investments that also deliver positive nature-related impact.



Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system | **Scottish Widows** continued

→ Engagement, partnerships and initiatives

Partnerships, initiatives and collaborations

Scottish Widows recognises that we can be most effective through collaboration, and we continue to work with other external bodies, organisations and initiatives pursuing responsible investment and climate-related policy or advocacy initiatives.

While we recognise that collaboration is important, Scottish Widows will always retain its independence of thought and action in respect of our responsible investment activities.



A new, unique strategic partnership with Robeco

In 2024 Scottish Widows announced a new strategic partnership with Robeco to take its responsible investment approach to the next level. Robeco is an asset manager with leading sustainable investing credentials. The initial focus of the partnership was to co-design and create new customised equities indices, with responsible investment principles integrated. These were launched in Q1 2025.

Using Robeco's specialist frameworks and expertise, the indices feature ESG tilts underpinned by the United Nations Sustainable Development Goals as well as a range of forward-looking climate measures, with Scottish Widows' exclusions policy also applied in full.

The bespoke Robeco-Scottish Widows indices are exclusive to Scottish Widows and have been deployed across Scottish Widows' investment offering for UK pension savers.

Robeco's proprietary alignment framework – the climate traffic light – is embedded into the design of the index to enable tilting towards climate leaders and away from climate laggards. We have also started using the alignment data in our assessment of companies for engagement and voting. This has been incorporated as a key action in our Scottish Widows Transition Plan.

We will work closely with Robeco's sustainable investing centre of excellence on research and analysis related to our priority themes, such as climate and nature, and leverage their excellent frameworks to enhance our approach.

Corporate engagement and stewardship

During 2025 we maintained our ongoing direct engagement with companies on climate. The companies were contacted to acknowledge areas where they had made progress over the last year and highlight where they were not meeting our expectations. These assessments were informed by publicly available benchmarks like Robeco's alignment framework, Transition Pathway Initiative, Climate Action 100+ (CA100+), specialist research by non-profits and companies own disclosures. Main areas of discussion were decarbonisation strategies, climate risk disclosures in financial reporting and lobbying practices.

We monitored AGMs at several CA100+ companies, directing our votes in our mandated funds in several instances. In cases where we voted against management resolutions like the re-election of directors, we contacted the companies to make them aware of our reasoning for directing votes, and to reiterate the key points from our engagements.

We continue to participate in collaborative stewardship initiatives CA100+ and IIGCC's Net Zero Engagement Initiative.

Climate Action 100+

As well as using CA100+ data in our direct thematic engagement with companies as highlighted above, we are supporting some lead investors in their engagement activities, focusing on the oil and gas, and mining sectors. Our focus areas of engagement have been methane emissions, decarbonisation strategies and policy engagement disclosures. These are done in tandem with our own policy engagement activities e.g. on EU Methane and Deforestation Regulations through our membership organisations.

Net Zero Engagement Initiative

We continued our work with the Net Zero Engagement Initiative into 2025. We have been involved in continued engagement with a UK-based food producer, as well as beginning an engagement with a Japan-based chemical company.

Key industry initiatives

Institutional Investors Group on Climate Change (IIGCC)

The IIGCC is the European membership body for investor collaboration on climate issues, with more than 400 members from over 20 countries. The following provides a summary of our key activities with the IIGCC during 2025.

IIGCC Policy Advisory Group

We are members of the IIGCC Policy Advisory Group, discussing key policy developments at UK, European and global level, the investor implications and opportunities for influencing. This includes engagement with policymakers directly, and through conferences such as the annual COP, on climate and biodiversity-related matters.

Asset Owner Stewardship Working Group

Further to our contributions to IIGCC's Net Zero Voting Guidance, highlighting a principles-based approach and giving examples of a range of approaches towards supporting real-world decarbonisation, we continue to contribute to the Asset Owner Stewardship Working Group that allows for collaboration and best practice sharing among asset owners on climate and nature-related matters. Our latest and ongoing contributions have been towards shaping the EU Stewardship Code.

UK Asset Owner Council

We continue to remain active participants of this Council, with secretariat provided by the PRI, contributing to driving industry standards, policy positioning and regulatory consultations feedback. In response to asset manager implicit requests, a coalition of asset owners – led by The People's Pension, Brunel Pension Partnership, and Scottish Widows – co-authored and endorsed the recommendations that will feed into a global baseline for corporate social disclosures to help investors ascertain the long-term sustainability of companies in their investment portfolios.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system | **Scottish Widows** continued

The Asset Owner Statement on Climate Stewardship is a new resource for the sector designed to set out clear and consistent expectations for asset managers on climate stewardship. As owners of capital, the asset owner coalition values its asset managers as strategic partners in delivering outcomes for members. The Statement is created to support and empower asset managers in achieving the coalition's climate objectives, building on existing industry guidance, ultimately seeking to raise the bar on climate stewardship across the investment sector. It delves into five key principles, as below, and provides a clear indication on the level of scrutiny and detail expected.

1. Industry/market and public policy engagement should be core to the climate stewardship proposition across asset classes.
2. Where permissible, asset managers should prioritise collaborative initiatives to achieve greater impact and embed efficiencies in engagement activities.
3. Asset managers' prioritisation framework for company engagement should be rooted in a robust theory of change that delivers maximum impact.
4. A systematic approach to voting is imperative.
5. The stewardship function needs to be appropriately resourced.

We actively engage with our Asset Managers to discuss their positions and progress across those five principles.

FCA convened Vote Reporting Group (VRG)

While Scottish Widows have been participants of this group since its inception in 2022, in early 2024, we became co-Chair of this industry-led initiative, to build upon the work already undertaken by the group.

Since then we have played a significant role in bringing together asset owners, asset managers, investment consultants, proxy advisers, voting technology experts and relevant civil society organisations through extensive engagement to produce a comprehensive, standardised vote reporting template to raise the bar on current voting disclosure practices in the industry. Asset owners represent everyday savers, and it is therefore essential for them to have the transparency around utilisation of shareholder rights and responsibilities in an increasingly complex voting ecosystem, and scrutinise their managers' voting decisions through timely, relevant and decision-useful information. Asset managers would also benefit from a consistent and standardised market-wide approach, enabling them to more efficiently meet the varying requirements of their clients.

The VRG template was launched in Q1 2025, with the PLSA, now Pensions UK, taking ownership and oversight of it. With the support of the VRG, in September 2025, Pensions UK launched the Technical Guidance to the merged VRG and PLSA template, aiming for its industry-wide adoption from 2026.

UK Sustainable Investment and Finance Association (UKSIF)

UKSIF is a body seeking to influence policy to enable a sustainable future. Since joining in 2021, we have contributed to its forums and consultations to drive industry best practice and advance the regulatory and policy agenda for creating well-functioning markets, embracing and embedding a sustainable, long-term outlook. Since 2024, Scottish Widows are represented at UKSIF's Board of Directors and its Policy Committee.

Over the course of 2025, we have contributed to UKSIF's multiple initiatives, including responses to consultations like the FRC's UK Stewardship Code 2026. Notably, we have supported UKSIF in their engagement with the Department of Energy and Net Zero's Parliamentary Select Committee towards shaping the role of the National Wealth Fund and Great British Energy in supporting the UK's energy transition and underpinning mechanisms required to attract private capital in meeting the UK's decarbonisation goals.

We also worked with UKSIF and Canbury on the published report, 'Systemic Risk: A Framework for Portfolio Resilience', to highlight Asset Owners' role in addressing 'systemic risks'. This report has since been shared by The Pensions Regulator with Master Trusts in the UK outlining specific asks of them.

COP30

An enabling climate policy environment is a key factor underpinning our transition plan. The annual United Nations climate conference (COP) is critical to making progress on climate ambitions and implementation of targets that provide the necessary incentives to businesses and the finance sector. We actively engage with policymakers and have been involved in a number of COP30 related events and discussions, with Lloyds Banking Group and Scottish Widows representatives present at the COP30 conference. You can read more about our review of the outcomes for investors [here](#) →

→ Nature

Nature-related issues can result in environmental risks with financial implications that matter for investors. From deforestation, to pollution and the unsustainable use of natural resources such as water, human activity is degrading the natural environment which provides the foundation for economies and businesses.

There is also a growing focus on investment opportunities related to nature that can deliver return and help shape a more sustainable world in the long term. It is therefore critical that pension providers understand their exposure to nature-related issues and how they may impact their portfolios from two perspectives – the impacts they have on the drivers of nature loss and the dependencies their investments have on natural resources and the services they provide.

Stewardship

We published the outputs of our portfolio analysis completed with Zoological Society of London (ZSL), '[Assessing the impacts and dependencies on nature](#)' →, in April 2025. This portfolio analysis covered more than £150 billion of our customer funds. Further to this, we focused on our initial sector priorities to inform two areas of work: shortlisting holding companies for engagement, and engaging the wider industry. In 2025 we conducted additional analysis with EY on the updated ENCORE methodology which resulted in similar results with construction, pharmaceuticals and water utilities remaining as high-risk sectors. In 2025, we wrote to a number of construction and pharmaceutical companies as well as UK water utilities.



Our engagement with water utilities was constructive with responses from all companies leading to meetings with several of them, demonstrating a strong level of engagement on the topic and willingness to improve. The discussions ranged from addressing pollution, nature-based solutions and waste management, allowing for honest reflections, deep dives on investment plans and forward-looking approaches. Engagement with construction and pharmaceutical companies is ongoing and will continue into 2026.

Additionally Scottish Widows is actively involved in several collaborative industry initiatives. Through Nature Action 100, it engages with companies in chemicals, paper and packaging, and industrials to drive improved biodiversity strategies, target setting, lobbying transparency and governance. As a member of the PRI Spring Strategic Advisory Committee, Scottish Widows helps guide investor action on halting deforestation and land degradation, also engaging with companies in the consumer goods, auto and cosmetics sectors. We are active participants of multiple FAIRR (Farm Animal Investment Risk and Return Initiative) workstreams, addressing issues like pollution, animal welfare, and sustainable proteins in the Food and Agriculture sector. Our contributions through the ShareAction's Pesticides Working Group continue to push for reduced biodiversity harm from hazardous pesticides and support a more sustainable food system.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system | **Scottish Widows** continued

→ Metrics and targets

Overview of financed emissions

Our carbon footprint is a key indicator in helping us assess our progress against our net zero ambition. Although we also present weighted average carbon intensity, in line with developing industry practice and regulatory expectations, carbon footprint is still our preferred measurement of progress against our net zero ambition. The metrics and targets we monitor help to inform our investment strategy as demonstrated in our transition plan.

For further information on these strategies, see the transition plan section on [page 112](#).

Note the assets under management (AUM) of £187.9 billion at year-end 2024 represents the total assets in scope of our headline net zero ambition.

Refer to the sustainability metrics basis of reporting, available online in our [sustainability downloads](#) → for details on how our financed emissions metrics are calculated.

Total financed emissions

		Total AUM £bn	AUM in scope of PCAF methodology and for which emissions data is available (excluding sovereign debt) £bn	In-scope AUM for which emissions data is available %	Estimated total MtCO ₂ e (scope 1 emissions for investments where data is available)	Estimated total MtCO ₂ e (scope 2 emissions for investments where data is available)	Estimated total MtCO ₂ e (Total scope 1 and 2 emissions for investments where data is available)	PCAF data quality score	Carbon footprint (where data is available) ¹ (tCO ₂ e/ £m invested)	Weighted average carbon intensity (where data is available) ² (tCO ₂ e/ £m sales)
2024	Policyholder	173.1	146.1	84 %	6.5	1.6	8.1	2.4	54.6	116.7
	Shareholder	14.8	9.5	64 %	0.5	0.2	0.7	3.8	63.2	54.5
	Total	187.9	155.6	83 %	7.0	1.8	8.8 ^④	2.5 ^④	55.2 ^④	114.6
2023	Policyholder	158.7	133.0	84 %	7.0	1.7	8.7	2.2	64.7	133.1
	Shareholder	22.1	15.0	68 %	0.7	0.3	1.0	3.5	65.2	75.2
	Total	180.8	148.0	82 %	7.7	2.0	9.7 ^③	2.3 ^③	64.7 ^③	129.4
2019	Policyholder	143.1	96.6	68 %	9.1	1.9	11.0	2.1	116.6	NR
	Shareholder	26.7	14.4	54 %	1.0	0.5	1.5	3.7	112.3	NR
	Total	169.8	111.0	65 %	10.1	2.4	12.5	2.3 ^③	116.1 ^③	NR

1 Emissions per £1 million invested is calculated using the market value of equity + book value of debt investment rather than the AUM in the table where assets are quoted at market value. The market value of equity + book value of debt equivalent total is £158.1 billion for 2024 (£150.5 billion for 2023). Note: coverage for weighted average carbon intensity may be lower than for carbon footprint due to lack of revenue data on certain asset types.

2 Weighted average carbon intensity expresses the portfolio's financed emissions per unit of sales revenue of the investee companies.

3 The metrics for 2019 and 2023 have not been restated in the current period and were previously subject to limited assurance by Deloitte LLP in 2023 and 2024. This limited assurance report is available at [sustainability downloads](#) →

4 The amount assured by Deloitte as part of their limited assurance work is 8.72 MtCO₂e. The difference to the amount in the table above is due to rounding differences.

④ Indicator is subject to limited assurance by Deloitte LLP, for further details see [page 02](#).

NR Not Reported



Reconciliation of assets included in emissions calculations

	2024	2023		
	Policyholder £bn	Shareholder £bn	Total £bn	Total £bn
AUM Total	173.1	14.8	187.9	180.8
Less:				
Sovereign bonds AUM	12.7	2.2	14.9	15.2
Assets not in scope of PCAF methodology	4.7	1.7	6.4	7.1
Assets for which emissions data is not available ¹	9.6	1.4	11.0	10.5
AUM used to calculate financed emissions above	146.1	9.5	155.6	148.0

1 Includes investments in collective investment schemes where look through is not currently available.

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system | **Scottish Widows** continued

Total financed sovereign bond emissions

Sovereign bonds

We are reporting emissions data on sovereign bonds for the purposes of transparency, following the issuance by PCAF of methodology on sovereign debt in December 2022. PCAF notes that double counting of emissions of non-sovereign sectors (e.g. corporates) can occur due to accounting of emissions at sovereign territorial level, and that this therefore represents a challenge for an entity with multiple asset classes. PCAF also notes that this is not necessarily problematic if emission results of the different asset classes are clearly reported separately. Given these challenges, we will consider if and how we integrate sovereign bond emissions metrics into our targets.

		Total sovereign bond AUM £bn	Sovereign bond AUM in scope of PCAF methodology and for which emissions data is available £bn	In-scope sovereign bond AUM for which emissions data is available %	Estimated total MtCO ₂ e for sovereign bonds including LULUCF (scope 1, for investments where data is available)	Estimated total MtCO ₂ e for sovereign bonds excluding LULUCF (scope 1, for investments where data is available)	Sovereign bond carbon intensity including LULUCF (where data is available) ¹ (tCO ₂ e/£m invested)	Sovereign bond carbon intensity excluding LULUCF (where data is available) ¹ (tCO ₂ e/£m invested)	PCAF data quality score
2024	Policyholder	12.7	9.9	78 %	2.2	2.2	188.7	196.6	1
	Shareholder	2.2	2.2	100 %	0.4	0.4	158.1	157.7	1
	Total	14.9	12.1	81 %	2.6	2.6	182.7	188.9	1
2023	Policyholder	12.1	9.4	78 %	2.1	2.2	200.3	207.3	1
	Shareholder	3.1	3.1	100 %	0.6	0.6	163.7	163.4	1
	Total	15.2	12.5	82 %	2.7	2.8	191.3	196.5	1

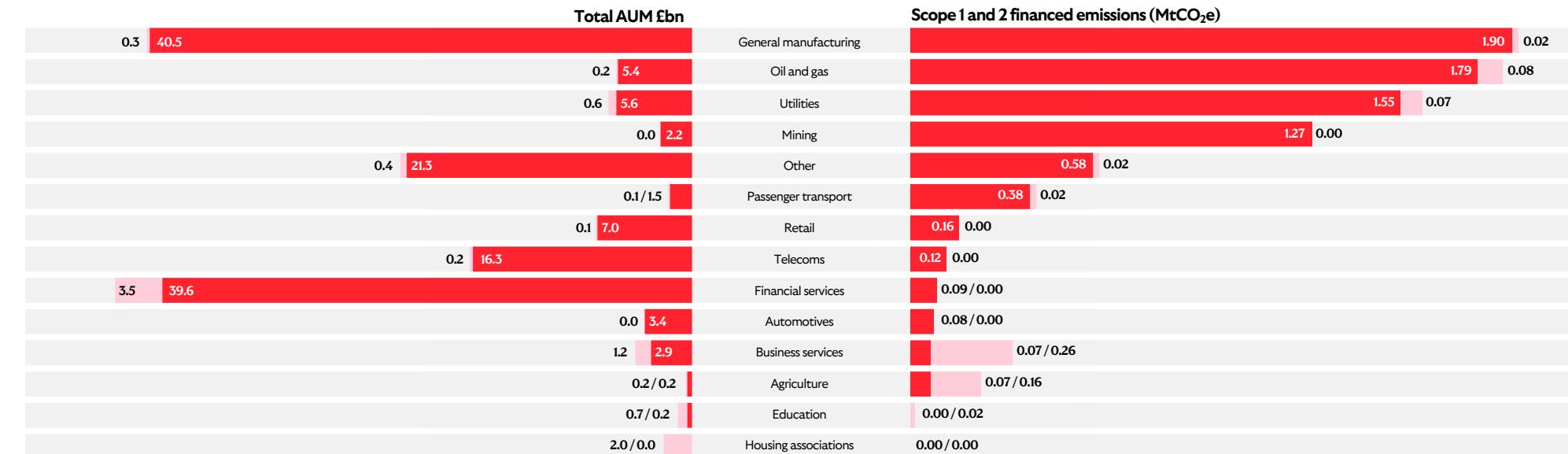
Land Use, Land-Use Change and Forestry (LULUCF)

¹ Emissions per £1 million invested is calculated using the book value of debt investment rather than the AUM in the table where assets are quoted at market value. The book value of debt equivalent total is £14.2 billion for 2024 (£14.0 billion for 2023).

Total financed emissions – sector breakdown

Sectoral analysis of emissions

The bar chart on the right shows a sector breakdown of the total financed emissions. This view is intended for illustrative purposes at this time and sector headings and the allocation of individual companies to sectors may be subject to revision as best practices emerge. Data is at 31 December 2024.



● Policyholder ● Shareholder

Supporting the UK's transition continued

Own operations | Supply chain | Banking activities | Transition plan by system | **Scottish Widows** continued

Scope 3 emissions

Scope 3 emissions include all other indirect GHG emissions (not included in scope 2) that occur in the value chain of the reporting company. Scope 3 can be broken down into upstream emissions that occur in the supply chain (for example, from production or extraction of purchased materials) and downstream emissions that occur as a consequence of using the organisation's products or services.

When it comes to scope 3 emissions of the companies we invest in, at this time we do not feel the data is robust enough or has wide enough coverage for us to be able to set targets using it. We will continue to watch the developments in data quality and will consider extending our portfolio targets to cover scope 3 of our underlying holdings when there is market consensus on the appropriateness of available data. Please note that there is a high likelihood of emissions being double counted within the following scope 3 tables. Companies are attempting to estimate all the emissions from the supply chain of their activities, so a company's downstream emissions (the use of their products or services) may well be reported as another company's upstream emissions (purchased products or services).

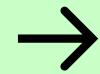
Further details on our approach to scope 3 emissions reporting can be found within the sustainability metrics basis of reporting, available online in our [sustainability downloads](#) →

Scope 3 financed emissions December 2024

Sector	Scottish Widows Group				Policyholder funds				Shareholder funds	
	AUM with scope 3 emissions data (£bn)	Scope 3 financed emissions (MtCO ₂ e)	Scope 3 footprint (£CO ₂ e per £m invested)	PCAF data quality score	AUM with scope 3 emissions data (£bn)	Scope 3 financed emissions (MtCO ₂ e)	Scope 3 footprint (£CO ₂ e per £m invested)	AUM with scope 3 emissions data (£bn)	Scope 3 financed emissions (MtCO ₂ e)	Scope 3 footprint (£CO ₂ e per £m invested)
General manufacturing	40.8	29.9	731.4	2.3	40.5	29.8	734.5	0.3	0.1	317.6
Oil and gas	5.6	22.4	4,007.2	2.7	5.4	21.5	3,978.4	0.2	0.9	4,826.3
Mining	2.3	6.5	2,879.0	2.8	2.2	6.3	2,857.8	0.1	0.2	3,968.5
Financial services	43.1	4.4	102.0	2.8	39.6	4.1	102.7	3.5	0.3	93.4
Automotives	3.5	3.9	1,135.5	2.5	3.5	3.9	1,134.5	0.0	0.0	1,569.8
Aerospace and defence	1.6	2.0	1,306.5	2.4	1.6	2.0	1,312.2	0.0	0.0	32.1
Utilities	6.0	1.9	319.3	2.8	5.6	1.8	322.7	0.4	0.1	271.2
Retail	7.1	1.6	226.0	2.7	7.0	1.6	223.8	0.1	0.0	356.2
Other	12.0	1.3	111.6	3.3	11.8	1.3	112.2	0.2	0.0	72.6
Food and drink	3.5	1.1	318.8	3.7	3.5	1.1	317.7	0.0	0.0	411.9
Construction	0.8	1.0	1,194.0	2.6	0.7	1.0	1,228.5	0.1	0.0	617.6
Wholesale	1.5	1.0	646.3	2.9	1.5	1.0	646.3	0.0	0.0	0.0
Real estate	7.0	0.5	71.8	2.9	6.9	0.5	72.6	0.1	0.0	19.5
Telecoms	16.5	0.4	25.5	3.0	16.3	0.4	25.0	0.2	0.0	57.9
Total	151.3	77.9	515.2	2.6	146.1	76.3	522.2	5.2	1.6	337.9

Scope 3 financed emissions December 2023

Sector	Scottish Widows Group				Policyholder funds				Shareholder funds	
	AUM with scope 3 emissions data (£bn)	Scope 3 financed emissions (MtCO ₂ e)	Scope 3 footprint (£CO ₂ e per £m invested)	PCAF data quality score	AUM with scope 3 emissions data (£bn)	Scope 3 financed emissions (MtCO ₂ e)	Scope 3 footprint (£CO ₂ e per £m invested)	AUM with scope 3 emissions data (£bn)	Scope 3 financed emissions (MtCO ₂ e)	Scope 3 footprint (£CO ₂ e per £m invested)
General manufacturing	36.4	27.4	752.6	2.4	35.7	27.1	758.3	0.7	0.3	466.0
Oil and gas	6.6	24.1	3,640.1	2.5	6.3	23.1	3,647.8	0.3	1.0	3,467.7
Mining	2.7	7.3	2,711.4	2.6	2.6	7.1	2,711.6	0.1	0.2	2,706.7
Financial services	39.2	4.7	119.1	2.9	33.9	4.1	121.6	5.3	0.6	103.4
Automotives	3.0	3.9	1,308.7	2.4	2.9	3.8	1,307.4	0.0	0.0	1,452.9
Aerospace and defence	1.3	2.2	1,748.2	2.3	1.3	2.2	1,753.9	0.0	0.0	162.0
Utilities	6.2	2.2	351.0	2.9	5.4	1.9	356.6	0.8	0.3	315.3
Retail	5.9	1.7	292.3	2.7	5.7	1.6	289.4	0.2	0.1	360.5
Other	12.1	1.7	136.8	3.2	11.6	1.6	135.6	0.5	0.1	164.4
Food and drink	3.9	1.2	310.8	3.7	3.8	1.2	314.4	0.1	0.0	212.8
Construction	0.9	1.0	1,147.4	2.6	0.8	1.0	1,231.0	0.1	0.1	557.0
Wholesale	1.5	1.0	661.3	3.0	1.5	1.0	661.3	0.0	0.0	489.4
Real estate	7.3	0.5	63.3	3.0	7.1	0.5	64.9	0.3	0.0	20.0
Telecoms	13.8	0.4	30.6	3.0	13.2	0.4	29.6	0.6	0.0	51.0
Total	140.8	79.3	562.7	2.7	131.8	76.6	581.2	9.0	2.7	296.0



How we deliver

Our oversight, ownership and responsible conduct builds a foundation that allows us to deliver on our purpose.

Our governance structure provides clear oversight and ownership of the Group's sustainability strategy and management of risk.

How we deliver articulates the strategic importance of our sustainable business ambitions and how we manage the impacts arising from environmental and social issues.

We believe in conducting our business responsibly, always considering the impact on our stakeholders.

Delivering good outcomes for our customers is at the heart of our purpose-driven organisation.

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Sustainable Development Goals



See our full reporting suite on the sustainability page of our website.



How we deliver continued

→ Group governance

The Group's governance structure provides clear oversight and ownership of the Group's sustainability strategy and the management of risks and opportunities. Key strategic decisions are taken at the most senior level of the Group, demonstrating the strategic importance of our sustainability ambitions and link to the broader Group purpose.

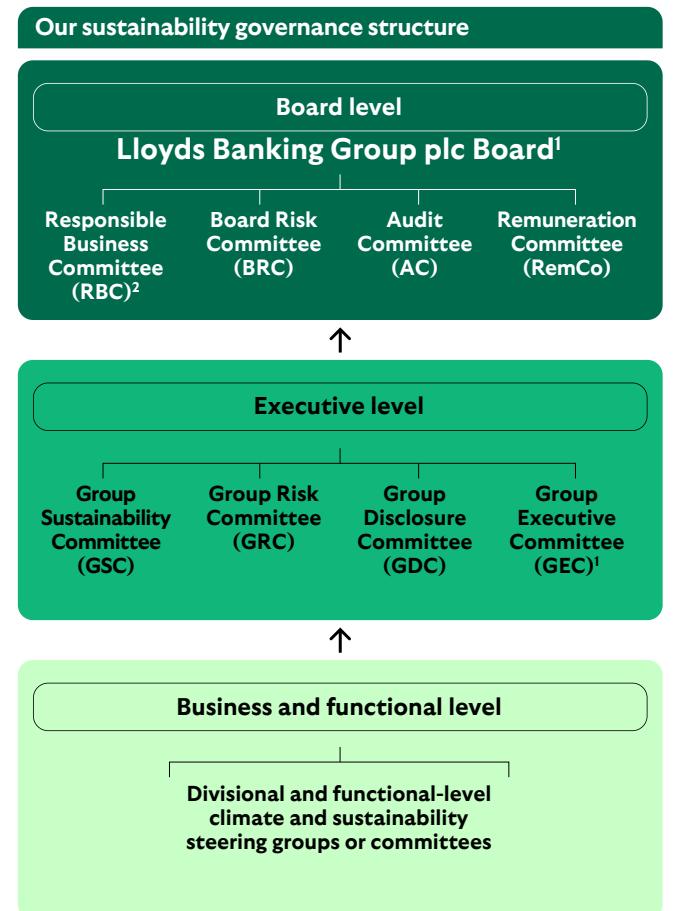
The Responsible Business Committee is a Board-level committee with sustainability-focused responsibilities and strategic decisioning, with specific reporting, risk management and remuneration responsibility related to sustainability matters shared with the Audit Committee, Board Risk Committee and Remuneration Committee. This ensures appropriate Board-level oversight, coordination and cooperation on these matters.

Sustainability-related risks and opportunities are identified, assessed and managed by business unit-level teams governed via divisional steering groups and committees.

For further details on the control environment operating at a business unit level for sustainability-related controls, see [page 123](#).

¹ The Chair of the Scottish Widows Board (except for any Interim Chair) sits on the Lloyds Banking Group plc Board. The Scottish Widows CEO sits on the Group Executive Committee and updates the Group Executive Committee on relevant insurance matters which can include papers for Group Executive Committee consideration.

² The Chair of the Responsible Business Committee, Amanda Mackenzie, is a non-executive director on the Board, a member of the Remuneration Committee, the Nomination and Governance Committee and the Audit Committee. Amanda helps ensure that sustainability is discussed and considered by the Board. Amanda has extensive experience in ESG matters, including helping launch the United Nations Sustainable Development Goals.



Full details on how sustainability is incorporated into our Group governance structure along with key topics of discussion at the Board committee level are detailed on pages 80 to 81 within the [annual report and accounts](#) →

Board-level remuneration governance

Our annual balanced scorecard provides transparency on how our performance aligns with 2025 executive director Group Performance Share (GPS) outcomes.

It also informs the wider 2025 GPS pool for all colleagues and 2025 Long-Term Incentive Plan (LTIP) budget for our Group Executive Committee members.

Full details on the 2025 balance scorecard and LTIP award can be found on pages 110 and 122 of the [annual report and accounts](#) →

Executive governance

The primary mechanism for sustainability-focused governance at an executive level is via the Group Sustainability Committee (GSC). This committee is an evolution of the previous Group Net Zero Committee, with a broadened responsibility to provide oversight and challenge of sustainability activities that impact the Group's purpose, business strategy and aspirations to become a purpose-driven organisation. Specific risk management or broader strategic responsibility related to sustainability matters is shared with the Group Risk Committee and Group Executive Committee. GSC oversight includes:

- Purpose alignment
- Sustainability commitments, targets and performance
- External sustainability reporting and public disclosures
- Internal sustainability statements, policies and frameworks
- External engagement
- Group transition planning
- Human rights and modern slavery

Divisional governance

Executive-level governance of sustainability-related risks is supported by existing governance structures across our divisions that are used to oversee decisions that impact the divisions, ensuring these risks are managed as part of regular activity.

Divisional governance structures include the Consumer Lending Executive Committee, Commercial Banking Committee and various executive bodies within Insurance, Pensions and Investments.

Our Group Sustainable Business team is supported by divisional sustainability teams, ensuring a coordinated approach to oversight, delivery and reporting of the Group's sustainability strategy.

Entity governance

Beyond the Group level, governance structures are in place to support consideration of sustainability-related risks and opportunities at Board level across the Group's key legal entities.

The Group's governance structure focuses on ensuring independent decision making by the Ring-Fenced Bank Boards; the structure and responsibilities for the Ring-Fenced Banks are outlined on page 73 of the [annual report and accounts](#) →

In Lloyds Bank Corporate Markets plc (LBCM), the Board is kept up to date on sustainability-related risks through bi-annual updates plus regular risk and legal reporting to Board Risk Committee. Details of the governance structure within Scottish Widows is detailed later in this section.

Additional details on respective governance for the Group's other entities can be found in their respective disclosures.

How we deliver continued

→ Training delivered

Skills and training

Board and Executive training

To strengthen sustainability governance, we continue to deliver targeted training to our Board members and Executive Committee on sustainability matters. This year, training has focused on environmental (carbon and nature) markets to deepen understanding of the risks and opportunities associated with this emerging asset class. The Board was also offered training on human rights and modern slavery to enhance their understanding of this evolving regulatory topic and how we can continue to strengthen the Group's resilience.

Colleague training

Our colleagues are critical to the delivery of our purpose focus areas, managing risks and maximising opportunities. To support them in this, during 2025 we advanced training across several priority areas:

1. Anti-greenwashing

We strengthened our anti-greenwashing training to align with evolving regulatory expectations. Over 5,000 colleagues completed the updated module, with additional role-specific training provided across our Group Sustainable Business and Group Corporate Affairs teams.

2. External Sector Statements

We enhanced our External Sector Statements training to cover the latest developments and control framework. 1,500 colleagues including those across relevant Commercial, Risk, Audit and Finance teams completed this training in 2025.

3. Commercial Banking Sustainability School

Since 2023, our 'Sustainability School' has supported Commercial colleagues in navigating emerging risks and opportunities. This year, 11 sessions were delivered to 1,600 attendees, featuring internal and external experts on topics such as the policy environment, the regulatory landscape on disclosures, the blue economy and the food system transition.

4. Supply chain

Education and accountability remains central to driving positive sustainability outcomes across our supply chain. Initiatives this year have included:

- Internal workshops for our Procurement leadership team and the launch of colleague training on mitigating nature-related risk from third-party spend
- Piloting an AI-driven course enabling colleagues to practice supplier sustainability conversations, with completions across 23 business platforms, providing tailored feedback to support skills development
- Enhancement of our 'Modern slavery in the supply chain' colleague training, completed by over 500 Group Sourcing and Supplier Management colleagues this year, alongside the launch of a new supplier-facing version. For more information see [page 138](#).

→ Three lines of defence¹

Three lines of defence

The Group's structure provides clear oversight and ownership of our sustainability strategy and management of sustainability-related risk across the three lines of defence, with dedicated teams in place focused on these areas.

1st line

The Group Sustainable Business team is responsible for overseeing the Group's strategic approach to responding to global and local issues on sustainability.

At a divisional and/or sector level, sustainability teams within the business support the delivery of our sustainability strategy in alignment with the Group strategy and our purpose pillars. These teams combined are responsible for developing the Group's response to sustainability risks and opportunities, including engaging with business areas to align sustainability to the business area strategies, ambitions and facilitate the development of sustainable product-level offerings.

From a climate perspective this includes activities supporting business areas in the calculation and forecasting of emissions, sector-level target setting and delivery against our transition plan to support the Group's sustainability targets.

Group Finance is responsible for incorporating sustainability into the Group's performance reporting, financial planning and external reporting.

2nd line

Risk is responsible for overseeing the risks relating to sustainability topics. This includes formal responsibilities in relation to oversight of the risks arising from climate change to support meeting regulatory expectations.

These responsibilities are split over teams across Risk, as well as incorporating consideration of sustainability-related topics into the appropriate risk management processes. In some cases, consideration of sustainability-related topics is intrinsically captured as part of managing these risks, for example, cyber security and data privacy-related risks. Elsewhere, explicit consideration of sustainability-related factors is most advanced for climate risk, where Risk's responsibilities include oversight of the 1st line's strategy to deliver the Group's strategic ambitions, setting the Group's climate risk appetite and development of methodologies to quantify climate risk.

3rd line

Group Audit (third line of defence) provides independent assurance to the Group Audit Committee, Board Risk Committee and the Board on the effectiveness of control and governance processes in place across the first and second lines. In the context of ESG and sustainability reporting, it exercises its role through the delivery of business and Group level audits which incorporate ESG-related risk. In addition, through continuous Business Monitoring activities, Group Audit also attends key sustainability and climate risk governance committees and forums.



¹ The three lines of defence responsibilities may operate differently across the Group's legal entities.

How we deliver continued

→ Scottish Widows governance

Governance for climate-related risks has been embedded into our existing governance structure, which is supported by the governance within the wider Lloyds Banking Group's sustainability strategy. Key boards and committees meet regularly through the calendar year.

The Insurance Board is the ultimate authorisation body for matters which concern the operation of Scottish Widows' business and is responsible for approving the Scottish Widows Transition Plan and Insurance, Pensions and Investments' strategic response to ESG matters.

During 2025, Insurance, Pensions and Investments (IP&I) continued to govern sustainability matters across multiple bodies within its governance structure, such that sustainability matters were appropriately governed as part of business-as-usual considerations. Sustainability is governed at Executive Committees, such as the IP&I Risk Committee, which reviews key risks (including emerging risks) and the IP&I Investment Committee, which monitors performance of investment strategy for customer funds (including responsible investment and stewardship strategies). Individual members of senior management also hold responsibility and accountability for climate risks and opportunities, supported by the insurance group's support functions in risk and finance.

Insurance Board

The Insurance Board has an overall responsibility to promote and assess the long-term sustainable success, safety and soundness of the IP&I business, delivering good outcomes for customers and generating value for Lloyds Banking Group as ultimate shareholder, and to contribute to the wider society and engage actively in the affairs of the IP&I business.

This includes a requirement to keep abreast of material changes in IP&I's business and the external environment, which includes climate-related issues, as well as acting in a timely manner to protect the long-term interests of the IP&I business. These responsibilities and certain matters reserved for the approval of the Insurance Board are set out in the 'schedule of matters reserved', which is reviewed annually, and informs matters for consideration and discussion at Insurance Board meetings. The Insurance Board met 11 times in 2025.

The Insurance Board also undertakes an annual review of each of its committees' purpose and responsibilities (terms of reference) and is kept informed at each Board meeting of key matters, discussed via individual committee Chair Reports.

The Insurance Board also ensures that its composition is sufficient in aggregate knowledge, skills, experience and background to effectively debate and take decisions informed by an awareness and understanding of climate-related threats and opportunities. Between them, the Insurance Board and IP&I management have dialogue with peers, policymakers and other stakeholders to stay informed about the latest climate-relevant risks and regulatory requirements.

To support the board, management assesses the materiality of climate-related risks and opportunities for the IP&I business on an ongoing basis and takes decisions that are proportionate to the materiality of climate to the IP&I business.

Insurance Board key decisions

The board is engaged (either directly or via its committees) on a periodic basis on sustainability matters, receiving periodic briefings covering topical and horizon issues in relation to sustainability and other matters. Key decisions by the board, its committees and management in 2025 included:

Strategy

- Climate and sustainability matters within IP&I business planning
- The Insurance Board has focused on the role of Scottish Widows as an enabler of financial wellness for UK customers within the social pillar of sustainability

Key decisions

- Approved Scottish Widows responsible investment and stewardship report 2024
- Approved the Scottish Widows Transition Plan
- Approved Scottish Widows entity and product-level TCFD reports 2024 and input into Lloyds Banking Group sustainability report 2024

Oversight

- Regular climate risk reporting
- Knowledge sessions on legal and regulatory risks
- Approach to Stewardship engagement



How we deliver continued

Risk management

Risk management is at the heart of creating a more sustainable future for people and businesses.

The Group is committed to protecting our customers, shareholders and colleagues while enabling sustainable growth. This is achieved through informed risk decisions and robust risk management, supported by a consistent risk-focused culture. Our material topics inform our understanding of the key sustainability-related risks and opportunities of the Group.

Our ambition is to ensure that consideration of the key ESG-related risks facing the Group is integrated within our wider risk management processes supporting appropriate identification, assessment, management, monitoring and reporting of risks. During 2025, we undertook a programme to change the way we manage all risks in Lloyds Banking Group including climate-related risks, more detail is included on page 39 in our [annual report and accounts](#) →

Climate risk continues to be monitored as a principal risk, with further details outlined in the [annual report and accounts](#) → page 150. We use various tools and methods to help develop our understanding of material risks and their potential impacts. Further detail is provided in this section on our evolving activity to develop climate models and scenario analysis that supports the identification and assessment of climate risks.

The table below shows the wider sustainability topics that we have assessed as material and highlights the risks that they relate to. Our [annual report and accounts](#) → pages 38 to 39 provides more detail on the materiality assessment with the topics expanded on within the following section.

Material Topics

Material Topic	Risk	Content
Artificial Intelligence	Conduct, Operational	<ul style="list-style-type: none">See page 139 on ethical use of AI
Biodiversity and nature	Credit	<ul style="list-style-type: none">See pages 60 to 118 for transition plan content including how nature is embedded into our considerations
Climate change and transition	Climate, Credit, Insurance Underwriting	<ul style="list-style-type: none">See pages 124 to 131 covering ESG Credit risk and Scenario AnalysisSee Page 132 for Scottish Widows risk management
Cyber security and data privacy	Operational	<ul style="list-style-type: none">See page 136 on cyber security and data
Financial crime	Economic crime	<ul style="list-style-type: none">See page 135 on Economic Crime Prevention
Financial inclusion and resilience	Credit, Conduct	<ul style="list-style-type: none">See Financial empowerment chapter on pages 22 to 36
Governance and conduct	Conduct	<ul style="list-style-type: none">Our governance structure is outlined on pages 119 to 122 of our sustainability report and pages 65 to 136 of our annual report →See page 134 on conducting business responsibly and customer complaints, 139 for our approach to tax and 137 for whistleblowing
Health and wellbeing of colleagues	Operational	<ul style="list-style-type: none">See the 'Building an inclusive organisation' chapter on pages 48 to 59
Human rights	Conduct, Operational	<ul style="list-style-type: none">See pages 141 to 142 and our modern slavery statement →
Regional inequalities	Conduct, Operational, Credit	<ul style="list-style-type: none">Please refer to the 'Regional development and communities' chapter on pages 37 to 47

How we deliver continued

Risk management continued

→ Climate models and scenario analysis

Scenario analysis enables us to explore economic impacts and financial risks arising from climate change. This provides a way for us to assess potential implications of plausible future states under conditions of uncertainty, considering how the future might look if certain trends continue, or certain conditions are met.

Internally, we use bespoke scenarios tailored to our business for some portfolios in addition to industry-standard scenarios. We follow a set of principles laying out best practice and key considerations when we undertake climate scenario analysis, including determining use case, model selection, identification of credible external sources of data and governance. Climate scenario analysis is important to the Group as it can help to drive alternative views and insights to inform how we manage climate-related risks.

The following sub-sections provide an overview of our current approach to climate scenario analysis across the Group, further examples of where we use scenario analysis are outlined in our [annual report and accounts](#) → on page 151. We are continuing to develop our scenario analysis capabilities to support effective risk identification, assessment and management. Our approach is evolving in line with the relevant industry progress, data enhancements and regulatory developments, notably the Prudential Regulation Authority's (PRA) expectations for managing climate-related financial risks as set out in Supervisory Statement SS5/25.

Scenario pathways

The scenarios are characterised by their overall levels of physical and transition risks, and each scenario explores a different set of assumptions about how climate policy, technology, emissions and temperatures evolve.

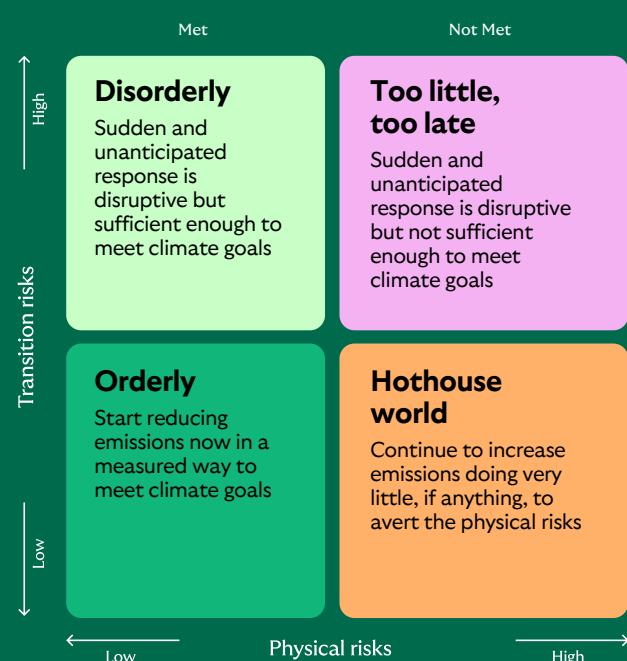
We consider a range of forward-looking climate projections and methodologies, including:

- Shared Socio-economic Pathways (SSPs) – projected socio-economic global changes up to 2100, as defined in the IPCC Sixth Assessment Report on climate change. These influence greenhouse gas emissions reductions and climate adaptation in scenarios with different climate policies
- Representative Concentration Pathways (RCPs) – multiple pathways of greenhouse gas (GHG) emissions and atmospheric concentrations, air pollutant emissions and land use covering a range of mitigation scenarios with varying degrees of stringency

To help explain scenario choices, the diagram (above right) groups scenarios based on higher and lower-risk outcomes, dependent on climate policy and ambition.

The impacts in the scenarios are influenced by both the level of emissions and the choice of pathway. There is of course a wide range of possible outcomes.

Scenarios that have actions to reduce physical risk by limiting carbon emissions and the increase in surface temperature have varying levels of transition risk, depending on timing of action and socio-economic context of global cooperation and technological growth.



More orderly, globally cooperative socio-economic pathways have lower transition risk because they assume more coordinated actions, causing a higher rate of technological development.

We consider scenarios across each of the quadrants in the diagram. Those with more orderly socio-economic context that minimise transition risk whilst reducing physical risk are considered as most conducive to achieving the transition, more disorderly narratives are also considered given the limited pace of transition witnessed to date.

Application of scenario analysis

As scenario analysis is by its very design subjective, we consider a wide range of scenarios and metrics to support our understanding of climate risk and to support decisions. Noting the challenges, this type of modelling is only one of several components in our climate risk management process and is not acted upon in isolation.

We have identified interest in similar scenarios across multiple parts of the Group. For example, changes in physical risk could impact residential properties across the UK, which in turn could affect several activities including our general insurance, mortgages, social housing portfolios and commercial lending to property developers, amongst others.

The following sections summarise analysis of physical and transition risk across our most material homes, Commercial Banking and investment portfolios.

Physical risk

Future climate changes are highly uncertain and depend on factors like environmental conditions and policy choices. We consider potential impacts from physical risks arising from changes in climate. These can either be acute (event driven such as floods or storms), or chronic (longer-term impacts such as rising sea levels or coastal erosion).

These impacts are particularly relevant to our mortgage and household insurance books, which are predominantly UK based. Flood risk is likely to lead to the most material changes in risk to residential properties within the UK and is discussed in more detail below.

Investment in flood defences along rivers and coastal defences, along with improved urban drainage systems, could help to mitigate some of the increased risk. Extending the Flood Re scheme beyond the current end date of 2039 could potentially support the continuation of insurance provision to properties at high risk of flooding, particularly when considering scenarios where the increase in risk of flooding is high.

Improving building standards could also increase the resilience of residential properties to heightened flood risk.

How we deliver continued

Risk management continued

UK mortgage lending by LTV and geographical region

Sep-25							Flood risk				
	<=50%			50%<=80%		80%<=100%	>100%	Total	Average LTV %	Total %	Lending %
South East	£20,531	£31,671	£10,200	£28	£62,429	46	46	19	4.1	47	
London	£26,410	£36,662	£9,818	£44	£72,934	46	46	23	5.2	47	
Scotland	£8,951	£12,210	£2,754	£13	£23,928	44	44	7	2.6	44	
North West	£11,046	£12,177	£2,511	£9	£25,743	42	42	8	4.7	43	
South West	£9,762	£13,052	£3,811	£7	£26,632	44	44	8	3.2	43	
West Midlands	£8,508	£10,197	£2,721	£5	£21,431	42	42	7	2.1	42	
East of England	£10,249	£15,856	£5,515	£19	£31,639	46	46	10	5.5	46	
Rest of UK	£22,523	£27,511	£6,184	£75	£56,292	43	43	18	3	43	
Total	£117,979	£159,336	£43,514	£199	£321,029	45	45	100	4.0	45	
Sep 24	£m	£m	£m	£m	£m	%	%	%	%	%	%
South East	£21,322	£30,781	£7,352	£24	£59,480	45	45	19	4	44	
London	£27,479	£34,328	£7,471	£38	£69,316	44	44	22	4.2	45	
Scotland	£8,479	£12,449	£2,838	£11	£23,778	45	45	8	2.4	44	
North West	£10,942	£12,197	£2,143	£6	£25,288	41	41	8	4.3	42	
South West	£10,333	£12,716	£2,616	£3	£25,667	42	42	8	3	41	
West Midlands	£8,930	£10,022	£2,000	£3	£20,954	41	41	7	2.1	41	
East of England	£10,614	£15,394	£4,048	£14	£30,070	45	45	10	5.4	44	
Rest of UK	£22,670	£27,633	£5,342	£116	£55,761	42	42	18	2.9	42	
Total	£120,769	£155,520	£33,810	£214	£310,313	43	43	100	3.7	43	

The volume of properties used for this table are c.70K lower than those used in our financed emissions reporting elsewhere, primarily due to excluding deedstore accounts. Data for Scotland is mainly based on undefended flood risk, noting the pilots referenced above seeking to address this.

As raised in the Group's sustainability report 2024, flood maps in Scotland historically could not be used for commercial purposes, and therefore we only had undefended flood risk views in the region. A successful pilot with local authorities in Glasgow now allows a defended view for certain communities in the area. We continue to liaise with SEPA and other local authorities to widen the availability of flood defence data across Scotland.

The table above uses data from Twinn (by Haskoning) and shows UK mortgage lending by loan-to-value (LTV) band, and geographical region, with Twinn present day (combined, defended) flood score >60 identifying those properties at high/very high risk.

This table demonstrates that the mean LTV for properties with high or very high flood risk has risen slightly in most regions of the UK, though this is in line with the regional portfolio mean LTV movements.

There has also been an increase in the volume and proportion of properties identified with high or very high flood risk, due to the introduction of an improved address matching process.

A sufficiently significant amount of previously non-matched properties is now returning a flood score, with the largest coverage uplift seen in London.



There is significant regional variability in flooding impacts, and it should be noted that most properties are not materially impacted by flood risk.

Flood risk is managed at origination with properties exposed to increased flood risk requiring a physical inspection; we do not lend on properties assessed as unsuitable collateral.

In our 2024 sustainability report we summarised analysis in support of the ISSB proposal to disclose 1-in-100 year flood risk metrics, highlighting the need for a standard industry definition. We have not repeated for this year, however, will revisit in future disclosures once the UK Sustainability Reporting Standards requirements have been finalised.

Transition risk

We consider potential impact from transition risks due to societal changes or those associated with moving towards a low carbon economy and nature recovery, including changes to policy, legislation and regulation, technology and market, or legal risks from failing to manage the transition.

Scenario impacts are influenced by the choice of pathway, total emissions and emission path. Selection choice will affect the level of transition risk as delays or changes in policies and other actions could lead to uncertainty or lack of market confidence, and therefore increased impacts.

For our UK mortgage portfolio, we consider a range of hypothetical future extensions of Minimum Energy Efficiency Standards (MEES). These currently apply to domestic private rented properties only and therefore affect our Buy To Let mortgage customer. If similar standards were to also apply to owner-occupied properties, then the impact to our customers and the valuations of their properties would vary depending on several factors such as timing, minimum criteria, developments in heat pump viability and availability, the range of supporting initiatives and others. This methodology supports our IFRS 9 impairment view of climate sensitivity, summarised in Note 21 of our annual report of accounts.

For our investment and lending portfolios, there are significant differences among the underlying sectors; this sectoral differentiation can be helpful in informing our strategy, especially when coupled with our view of the relative likelihoods of the scenarios and of the sectoral emissions profiles.

How we deliver continued

Risk management continued

When considering the impact of transition risk on equities (see chart to the right), we assessed the impact of governments introducing different carbon tax paths that reduce carbon emissions to achieve net zero later in the century. Scenario 1 has emissions reducing from 1 January 2022 and is based on scenarios used in 2022. Scenario 2 has actual but smaller emission reductions from 1 January 2022 to 1 January 2025, with higher emissions reductions from 1 January 2025. Both scenarios achieve the same total emissions by global region to 2050.

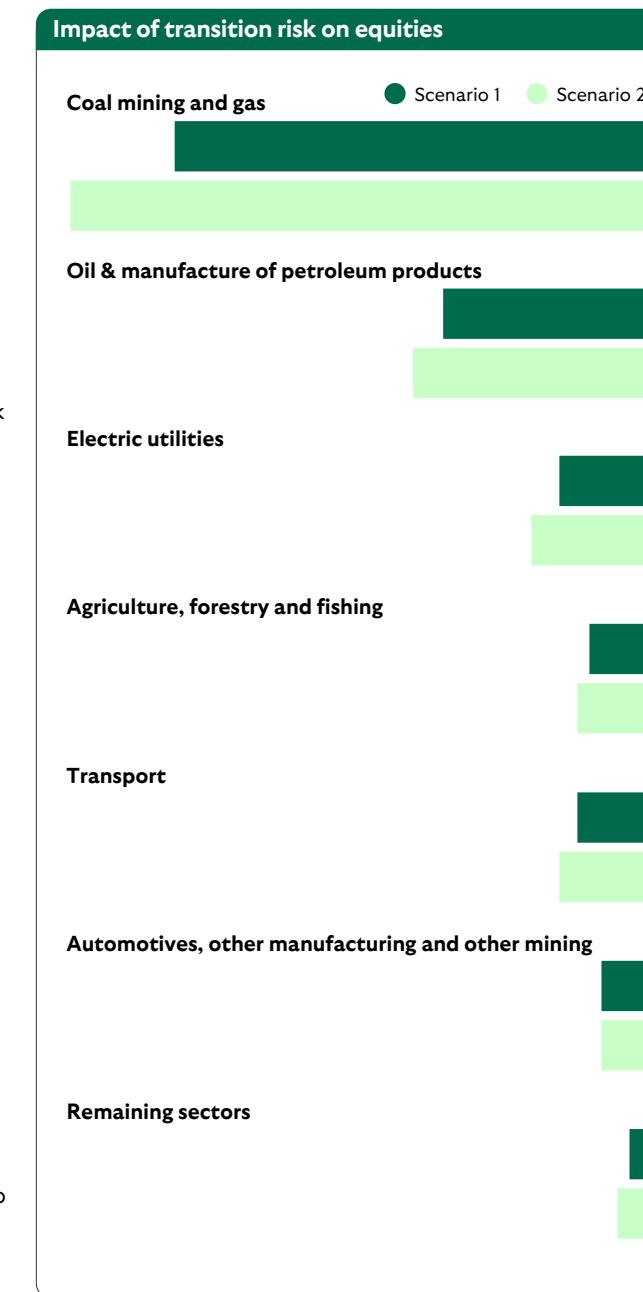
The chart is based on projected equity values at 2050, and shows the impact of transition risk excluding: physical risk, socio-economic effects and currency movements, relative to the counterfactual projections that do not recognise climate risk at all. The sectors are broadly defined for these scenarios.

Our modelling suggests that transition risk has increased between Scenarios 1 and 2. This arises because Scenario 2 global emissions did not reduce in line with Scenario 1 pathways before 2025 and hence scenario 2 requires a more rapid decarbonisation to achieve the same aggregate net emissions at 2050.

Coal mining and gas, and oil are most sensitive to the transition to a low carbon economy and associated risks. In these scenarios, our modelling shows the impacts on these sectors and order of the sectors in the chart would change if we vary the term of the outlook, government policy actions, socio-economic context or the emissions paths noting multiple paths can achieve the same total emissions at 2050.

More granular analysis suggests that within sectors, there is a wide range of returns by region. Our previous analysis published in our 2024 report shows that impacts within and across sectors can also be influenced by the climate transition plans of individual businesses.

The margin of uncertainty in any translation of climate risk into economic impacts is wide and while we consider the approaches we take to be reasonable, we must recognise that our model outputs are indicative rather than definitive and treat them with appropriate caution. The challenges of scenario analysis should be considered when viewing this chart.



Challenges of climate scenario analysis

Unlike traditional models used in finance, climate scenario analysis explores hypothetical future outcomes to determine their potential impact. Therefore, it remains inherently subjective and requires a large number of assumptions, which need to be coherent in any given scenario.

Scenario analysis is a powerful tool, with significant progress made in developing capabilities in recent years. However, while climate science itself is well developed, the analysis requires us to model the global economic impacts over several decades of climate risks. Inevitably, this involves simplifications and speculative judgements, for example:

- We model government policy to affect a transition by means of a single, simple tax on emissions of greenhouse gases, whereas actual policy would also involve regulations and incentives
- Climate scenario analysis covers carbon emissions but other aspects of sustainability, e.g. biodiversity and its climate transition interaction, are not currently addressed
- Since there is no historical precedent, we must speculate on the impact of physical risk on economic output. It is arguable that for various reasons this risk is understated, for example, we make no explicit allowance for disruptions to supply chains or to political stability
- Climate scenario analysis requires data for the assets, with varying coverage by portfolio. Where precise matching to a modelled sector has not been possible, we have adopted an appropriate proxy
- The varying coverage and quality of data by portfolio affects our ability to generate or tailor scenarios for certain use cases. For parts of our lending portfolios, we rely on external scenarios, e.g. NGFS, acknowledging their limitations

Inherent uncertainty in the earth's systems and global actions additionally contribute to a relatively wide margin of uncertainty in these impacts, for example:

- The wide range of temperature outcomes for given emissions path. Recent academic work may indicate that the temperature increases at the higher end of the range, therefore, carbon budgets to achieve Paris alignment may need to reduce
- The severity of physical risk outcomes for a given temperature increase also have a range of estimates. In particular, physical risk events and global tipping points rely on multiple interconnected and uncertain drivers which amplifies the uncertainty of impacts
- The rate of technological progress and social change is variable and can rapidly change

While we consider the approaches we take to be reasonable, we must recognise that our model outputs are indicative rather than definitive and treat them with appropriate caution. The margin of uncertainty in any translation of climate risk into economic impacts is wide and there is no single agreed method used across the industry.

How we deliver continued

Risk management continued

→ ESG credit risk overview

Managing risk effectively is fundamental to our strategy

At client and transactional level, ESG-related risks, including environmental, social and governance factors which may present financial implications for both the client and the Group, are assessed and embedded into our credit risk management framework in line with regulatory expectations and best practice. All lending decisions are based on a comprehensive credit risk assessment of potential borrowers which includes credit, financial and other factors as part of our broad multi-factor risk assessment framework.

Throughout 2025, we enhanced our approach to assessing ESG-related risk within the credit risk process by adopting a more targeted, risk-based methodology for our Commercial Banking clients with whom we have a direct lending relationship.



This approach recognises that ESG factors can have significant financial impacts on both our clients and the Group.

Example of ESG-related risks and financial implications for the Group:

- Environmental risks (e.g., climate change, biodiversity loss) can lead to asset devaluation, stranded assets and increased operational costs, impacting creditworthiness
- Social risks (e.g., labour practices, community impacts) can result in litigation, reputational damage leading to loss of market share, and regulatory scrutiny, that may impact a client's ability to operate

High-emitting or resource-intensive sectors face elevated transition and physical climate risks, while sectors with complex global supply chains may encounter nature and social risks related to products, materials, labour practices and community impacts.

These risks can increase the likelihood of borrower default and credit risk for the Group. By developing tailored ESG risk assessments, as part of our overall credit risk assessment we are able to identify and quantify these risks more precisely, embedding them into our multi-factor credit decision-making framework. This enables us to proactively manage exposures, support clients in their transition journey, and ensure that our lending portfolio remains resilient in the face of emerging ESG challenges.

The Group's external sector statements detail our cross-sector and sector-specific criteria for managing environmental and social risks. These criteria are guided by international conventions, national legislation and leading industry standards and are embedded into the overall credit risk assessments. Clients and transactions are reviewed individually as part of a broad multi-factor risk assessment, ensuring decisions reflect both ESG-related risks and their financial implications. The Group's external sector statements can be found [here](#) →

→ ESG credit risk identification and assessment framework

ESG credit risk indicator framework

Our ESG risk indicator framework provides a structured and consistent methodology for identifying and assessing sector-level ESG-related risks that could affect credit decisions. By embedding ESG considerations directly into our credit assessment process, the framework ensures that key factors such as exposure to climate-related risks, regulatory compliance, reputational concerns, and sector-specific ESG challenges are systematically evaluated for each client and transaction. Drawing on the latest quantitative emissions data and industry benchmarks – including the TNFD's Priority Sectors and Global Canopy's High Risk Sectors – as well as qualitative insights, the framework enables us to assess how ESG-related risks may influence a client's financial resilience, ability to service debt, and long-term viability.

This approach supports more informed credit decisions, helps to identify clients or sectors requiring enhanced due diligence, and ensures our portfolio remains aligned with our risk appetite and ESG objectives. Additionally, by tracking progress against sector-level transition pathways, the framework allows us to monitor and respond to emerging risks that could impact credit quality over time.

In 2025, the framework has been strengthened through input from external consultants, incorporating distinct environmental and nature-related risk parameters. For instance, environmental risk may involve water pollution from chemical discharge into rivers, while nature-related risk could include habitat fragmentation that reduces pollinator populations and impacts crop yields. These enhancements have increased the granularity of risk assessment and reinforced our ability to integrate ESG factors more effectively.

ESG credit risk indicator sector framework

Climate

Environmental

Nature

Social and governance

Sector decarbonisation progress

ESG sector risk

High

Medium

Moderate

Low

How we deliver continued

Risk management continued

ESG credit risk assessment

Our ESG credit risk assessment enables us to evaluate a client's or transaction's exposure to a range of ESG-related risks using our proprietary ESG tool. This tool encompasses climate, environmental and nature-related, social, governance and reputational factors each of which can influence a client's resilience. Assessments are required at origination, and at specific risk trigger points subject to meeting certain exposure thresholds.

We take a bespoke approach to ESG-related risk assessment for certain sectors and financial thresholds, recognising that the nature and materiality of ESG-related risks can vary significantly across industries.

Identify risks and mitigation plans

Climate

- Clients progress on key pillars Governance – Board/senior management oversight
- Strategy – Operational and strategic resilience
- Risk Management – Client Transition Plan
- Emissions Metrics & Targets

Environmental & Nature

- Clients' involvement with key agricultural forest-risk commodities
- Relevant certifications or memberships
- Operating in high deforestation risk countries

Social & Governance

- Compliance with external sector statements
- Regulatory obligations – including those related to human rights, modern slavery
- Trade in high-risk goods and jurisdictions

Assessments ensure alignment with our external sector statements, e.g.

- **Climate:** energy & extractive industries
- **Environmental & Nature:** forestry and agricultural commodities – outlining our approach to deforestation and land conversion
- **Social & Governance:** gambling & adult entertainment

For example, we have developed tailored assessments for sectors such as SME real estate and agriculture, where specific ESG factors – like climate transition risk, land use and regulatory compliance – are particularly relevant. For clients in these and other sectors, our risk-based approach focuses on the most material ESG-related risks that could impact creditworthiness and long-term viability. This ensures that sector-specific assessments not only address unique challenges but also support strategic alignment with Group priorities, including affordable housing and net zero commitments. These assessments help identify and mitigate potential risks, enabling us to identify higher-risk cases that warrant enhanced due diligence in line with internal policies and standards, and overseen by our ESG credit risk specialists.

These assessments form part of our broad multi-factor credit assessment, ensuring transparency and accountability and designed to identify and mitigate potential risks.

Higher-risk clients and transactions are subject to enhanced due diligence, in accordance with internal policies and standards, with defined escalation routes overseen by ESG credit risk specialists. This process helps ensure that ESG-related risks with potential financial implications are appropriately addressed within the credit decisioning.

Climate

Throughout 2025, we've continued to strengthen our climate transition risk assessments within the ESG tool. This includes developing bespoke assessments for housebuilders and property developers to align with industry best practice and expanding our SME coverage to include trading and healthcare sectors.

Environmental and nature

Agriculture and the built environment are our highest-priority portfolios for nature considerations based on our latest nature materiality assessment. As a result, in 2024 we launched a bespoke environment and nature assessment for agriculture. This year we launched our bespoke assessment for housebuilders and property developers that considers the most material nature-related issues for the sector, encouraging impactful conversation, and developing a meaningful understanding of our clients' relationship with nature.

In 2025, as part of our commitment to improving our understanding of, and managing nature-related issues we worked with Earth Blox, using its geospatial platform to produce a TNFD-aligned Proof of Concept pilot for our agriculture and commercial real estate portfolios.

The geospatial mapping data helps us to further our understanding of how our clients both impact and depend on nature – the natural systems that support their long-term success – and where they face elevated nature-related risks such as in regions experiencing water stress or in areas of high biodiversity importance. This gives us a clearer picture of how our business is exposed to nature-related risks and opportunities. It has supported the development of case

studies and demonstrated the value of geospatial data in enhancing risk management and regulatory preparedness.

Social and governance

We have strengthened and enhanced our assessments across the SME portfolio to better identify, assess, and mitigate potential Social & Governance (S&G) risks. Our enhanced controls ensure that colleagues can escalate any concerns (such as those related to labour practices, or human rights) to ESG credit risk specialists for expert review. This is a key control in ensuring compliance with our external sector statements, including our Human Rights and Modern Slavery Statements, within our credit risk framework. Where relevant, our ESG risk assessments explicitly evaluate clients' adherence to these standards, and any identified gaps or concerns are escalated for further due diligence. This escalation process ensures that S&G risks are systematically considered and appropriately assessed in credit decisions.



How we deliver continued

Risk management continued

→ ESG credit risk management and mitigation

Embedding ESG into the credit risk management framework

01 Credit application

The relationship manager helps clients find suitable financial solutions while ensuring all lending meets credit policy, regulatory and external compliance requirements



02 Risk assessment

Clients and transactions are classified based on their risk score, following completion of the ESG tool

Risk score

Low



Moderate



Medium



High



Key activity

ESG credit risk assessment and scoring

Consistent assessment across client peer group

03 Enhanced due diligence

Specific heightened risks are subject to enhanced due diligence as defined in internal policies and standards

- 01 Review identified risk factors
- 02 Client engagement
- 03 Escalation to ESG credit risk team
- 04 Independent review by ESG credit risk team

Enhanced due diligence

For clients or transactions based on risk factors or trigger events

04 Resulting actions

ESG credit risk team provides analysis and recommendation to support credit decisioning for:

- Climate
- Environmental & nature
- Social & governance

Ongoing monitoring

Client ESG risk assessments updated where new material information is identified

05 Credit decision

The credit officer conducts an independent review of the credit proposal, incorporating ESG credit risk insights into a comprehensive multi-factor risk assessment, while ensuring full compliance with relevant policies

Client and transaction management

Following completion of ESG risk assessments, clients exhibiting elevated ESG-related risk are subject to enhanced due diligence, based on defined criteria. When ESG-related risks are identified, we work with clients to understand their transition strategies and the financial implications of these plans. This dialogue helps us assess whether clients have credible pathways to mitigate risks that could otherwise lead to increased likelihood of default or reduced collateral value. In specific circumstances, cases may be referred to external consultants for independent assessment of mitigants and recommendations. Our ESG credit risk specialists are responsible for providing a summary of key findings and recommendations from this process are incorporated into ESG risk assessments and considered as part of the credit decisioning process.

Defined escalation routes are established. Where approval is required, escalation is directed to designated business representatives or the accountable executives of the relevant legal entity.

Higher-risk sectors are subject to enhanced due diligence, reflecting the elevated ESG-related risks outlined in the Group's external sector statements.

Examples of high risk sectors

Energy & extractive industries



Animal welfare & UNESCO sites



Defence



Gambling and adult entertainment



How we deliver continued

Risk management continued

The Equator Principles

The Group remains a committed signatory to the Equator Principles, a globally recognised risk management framework for identifying and managing environmental and social risks in specific project finance transactions. These typically include large-scale energy, industrial and infrastructure developments. By adhering to the Equator Principles, the Group ensures that transactions where it provides financing or advisory services meet minimum standards for environmental and social due diligence and monitoring, consistent with responsible banking practices.

All transactions subject to the Equator Principles undergo enhanced due diligence. The ESG credit risk team is responsible for ensuring the correct application of the Group's internal ESG credit risk policies and standards. This includes reviewing environmental and social due diligence reports, advising on specific Equator Principles requirements, and assessing annual or ad hoc environmental and social compliance reports, as applicable.

To further support environmental risk assessments including those governed by the Equator Principles, the Group engages external environmental consultants. These experts provide additional advice or recommendations at both the counterparty and transaction level, helping to ensure robust and informed decision making.

Monitoring

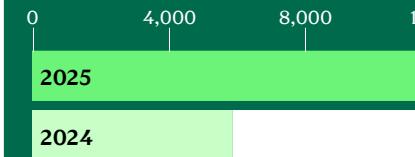
Our ESG risk indicator framework is reviewed annually to ensure it remains effective in tracking ESG-related risks, opportunities, and sector-level trends across our portfolio.

Following the expansion of ESG risk assessments across SMEs, coverage has continued to grow. We anticipate this coverage will evolve towards a more targeted, risk-based approach, reflecting our commitment to integrating ESG considerations into automated credit decisioning. This progression helps ensure our risk controls remain robust and aligned with our ESG framework, supporting our ongoing adaptation to new ways of serving clients.

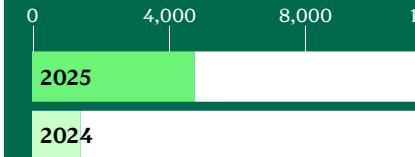
ESG risk assessments

The number of clients completing an ESG risk assessment across Commercial Banking continues to increase.

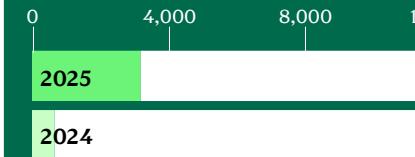
Climate



Environmental and nature



Social and governance



Reputational risk



Climate

Insights from our ESG tool show that most corporate clients are actively advancing climate action, with detailed transition plans, net zero commitments, and clear investment in emissions reduction. There is a notable trend towards clients setting interim and long-term emissions reduction targets, with a significant proportion having reported progress in reducing emissions in recent years. Governance frameworks increasingly embed climate considerations, and many clients now externally verify their emissions disclosures. However, gaps remain in short-term target setting, resilience assessments and emissions reporting for a minority of clients, highlighting areas for continued improvement.



ESG tool: climate insights

For our corporate coverage clients, insights from our climate risk assessments show positive progress in the percentage of clients taking action across key focus areas for managing climate risk, since implementing our ESG tool in 2021.

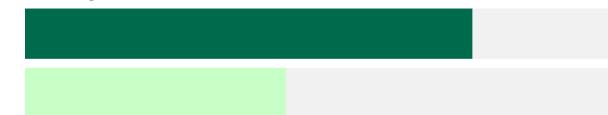
Corporate coverage

● 2025 ● 2021

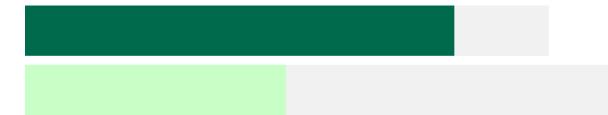
Governance



Strategy



Metrics and targets



0% 25% 50% 75% 100%

Environmental and nature

Following the launch of our first environmental and nature assessments in 2024 for Corporate and Institutional Banking and SME agriculture clients, we have gained valuable insights into how clients are responding to their nature-related dependencies and impacts. These insights have helped shape our product and proposition development, enabling us to better support clients in their nature-related transitions.

How we deliver continued

Risk management continued

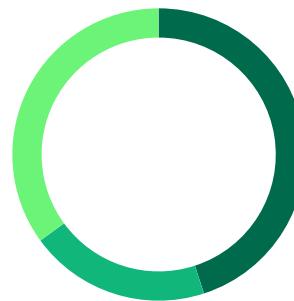
Over half of our Corporate clients are beginning to develop their approach to nature by assessing nature-related issues, integrating them into governance structures, and formulating strategies. Progress varies significantly across clients: some are only starting to evaluate their impacts and dependencies on nature, while others are actively managing these issues and setting targets. Our assessments have enabled strategic engagement with clients, helping to identify gaps in understanding and management of nature-related risks and supporting strategy development.

We're also looking to help our agriculture clients to manage nature-related risks and increase business resilience. This involves understanding their impacts and dependencies on nature, such as through our Farming with Nature report, combined with the mitigating actions they're undertaking on the ground. Using these insights we are identifying opportunities to engage with our clients and provide targeted support to help their transition.

ESG tool: Environmental and nature Insights

For our SME Agriculture clients, insights from our Environmental & Nature risk assessment give us a baseline understanding of how many are assessing their environmental impacts, developing plans, and taking action.

- Client taken action or plan in place
- Assessed environmental impacts
- Not assessed



Our assessments have shown us that many of our SME farming clients are already trying to understand how they can better farm with nature on their farm, with a focus on key themes like soil health, water and waste management, and biodiversity.

Real-time monitoring

Our oversight of ESG-related risk has been enhanced through the implementation of real-time monitoring systems, which enable immediate alerts where adverse media suggests ESG-related risks are identified in relation to our clients, such as allegations of environmental harm, regulatory breaches, or human rights violations. This proactive approach allows us to identify emerging risks enabling early engagement with the client to reassess their risk profile and, where necessary, initiate enhanced due diligence or escalate concerns to ESG credit risk specialists. This process ensures that our credit decisions remain informed by the latest external intelligence and that our portfolio is resilient to regulatory, reputational and financial risks arising from ESG factors.

Thematic reviews

In 2025, we further enhanced our approach to assessing ESG within the credit risk management process by conducting comprehensive thematic reviews. These reviews go beyond routine control checks by taking a deep dive into specific ESG themes or risk areas – such as climate transition, human rights, or sector-specific exposures – across our lending portfolio. Through this process, we systematically evaluate the effectiveness of our existing controls, identify emerging risks, and benchmark our practices against industry best practice and evolving regulatory expectations. Thematic reviews also play a critical role in ensuring our credit risk framework remains agile and responsive to new ESG standards. Insights gained from these reviews are used to update policies, refine risk assessment methodologies, and strengthen training for colleagues involved in credit decisioning. By incorporating lessons learned and best practice from both internal experience and external developments, we ensure that our ESG risk management remains robust, forward-looking, and aligned with the Group's strategic objectives.



Retail Homes

- Transition risk is embedded within credit decision making, with EPC controls for both new and existing buy-to-let lending, and property-specific climate transition costs factored into residential affordability assessments
- Physical risks, such as flooding, are assessed during mortgage origination. Properties identified as having elevated flood risk require a manual inspection, with lending prohibited if deemed unsuitable collateral
- Established metrics manage climate risk exposure by regulating the flow of less energy-efficient properties using EPC ratings, and properties with elevated flood risk using an external risk score that assesses both likelihood and impact
- Our risk management approach reflects the complexities of climate policy, data limitations and modelling challenges. We continue to collaborate with government bodies, agencies and schemes such as Flood Re to mitigate flood-related risks, and would welcome early certainty on Flood Re's future or alternative arrangements



Retail Motor

- We adopt a measured approach to EVs, reflecting ongoing technology developments, government policy and consumer demand, ensuring growth is reviewed and risks are managed, while supporting the transition from internal combustion engines to EVs
- Risk appetite continues to be strengthened through investment in proprietary residual value forecasting capabilities to improve pricing model accuracy, supported by mitigation measures such as offering leased used EVs as a cost-effective and environmentally responsible alternative to new vehicle leases
- For new partnerships, we apply ESG tool-based risk assessments to evaluate climate, environmental and nature-related, social, governance and reputational risks for large corporate clients. This ensures a consistent evaluation process across both Commercial Banking and Retail
- We continue to collaborate with industry bodies to advocate for targeted government incentives that strengthen the second-hand EV market, recognising that without such support, growing supply could place downward pressure on residual values. For further details on how we consider residual value risk for retail motor (see page 163 of our [annual report and accounts](#) → for credit performance of UK Motor Finance)



How we deliver continued

Risk management continued

→ Scottish Widows risk management

Within Scottish Widows Group, we recognise climate risk as a principal risk within our RMF. We recognise the cross-cutting impacts of ESG-related risk across other risks such as insurance underwriting, compliance, conduct and credit risk and are continuing to enhance our approach to consistently capture ESG considerations across our risk management framework.

Our risk management framework aims to help us identify, measure, monitor, manage and report the financial risks related to climate change with regular reporting to the Board to enable timely decisions to be taken. As part of Lloyds Banking Group, Scottish Widows Group approaches climate risk management in a way that is consistent with our overall parent Group.

As a cross-cutting risk, climate change impacts will emerge through our existing risks. We have a Lloyds Banking Group Climate Risk Principle supported by Implementation Guidance, and an Insurance Climate Risk Standard which sets out how we comply with the guidance. We expect to make further enhancements to our risk management framework under the PRA's new Supervisory Statement 5/25. In addition to this overarching guidance/standard, climate risk is also referenced as appropriate in other risk types and policies as shown in the Lloyds Banking Group annual report and accounts → pages 40 and 41.

We have grouped our climate-related risks into broad themes, with risk appetite and controls in place to help manage the risks, shown on the right.

Our key climate-related risks and examples of relevant controls are listed in the table:

This is a sample of the key risks faced by Scottish Widows Group and is not exhaustive. It is intended to illustrate how we have further embedded climate-related risks into our framework. It continues to be reviewed and will evolve over time.

Key risks and controls				
Risk description	Risk appetite	Key controls	Time horizon	
Physical and transition risk for investments (across customer and shareholder assets)	→ Inbound	<p>This risk is managed as we will seek to minimise physical and transition risks from climate risk in line with the Group strategy. However, the overall position is dependent on the availability of assets and prevailing economic environment and is therefore not fully within our own control</p> <p>This risk reflects an aggregation of credit, conduct and external supplier risks relevant to the investment products</p>	<ul style="list-style-type: none"> Due diligence around the selection and oversight of our external fund managers, including around ESG factors Dedicated fund investment leads are responsible for all aspects of oversight, including review of climate-related risks and ESG factors and related data supplied by external fund managers 'ESG tool' is completed as part of our credit risk assessment process for shareholder investments Stewardship and exclusions policies, and external sector statements are in place to help manage transition risk in our investments 	 Short Long
Physical risk for general insurance	→ Inbound	<p>This risk is managed through our underwriting procedures as we will provide GI cover to properties that may be affected by the physical risks from climate risk given our strategic aim to protect customers</p> <p>This risk reflects the underwriting and insurance risks arising from climate risks</p>	<ul style="list-style-type: none"> Weather modelling team of experts analyse trends in climate and weather patterns to inform models Sophisticated models have been developed to help inform underwriting decisions Robust model governance process is in place around the creation and use of those models 	 Short Medium Long
Compliance with Sustainability / ESG commitments including net zero	← Outbound	<p>This risk is managed as we wish to support and deliver all relevant external commitments. However, it is appreciated that achievement of these commitments may be reliant on many other parties and external factors and is therefore not fully within our own control</p> <p>This reflects an aggregation of compliance and conduct risks across our business</p>	<ul style="list-style-type: none"> External commitments framework in place to manage new commitments and track performance of existing commitments Stewardship and exclusions policies set out how we seek to influence the wider economy to move towards net zero Emissions forecasting model in place to help track the pathways of our investments to 2030 and 2050 targets under different transition and temperature scenarios 	 Short Long
'Greenwashing' risk	← Outbound	<p>This risk is not tolerated but it is understood that inadvertent breaches may occur and that we do not have control over potential greenwashing by third parties, including suppliers. We have controls to ensure that we do not make unfair or misleading climate-related claims in product, customer communication or marketing, which could lead to customers not receiving good outcomes from our products or services</p> <p>This reflects an aggregation of compliance and conduct risks across our business</p>	<ul style="list-style-type: none"> External commitments framework in place to govern new commitments ESG Claims Framework to assess and validate "ESG claims" in accordance with FCA anti-greenwashing rule and guidance Training and "clause bank" in place to help create correct, clear and complete communications that are capable of being substantiated 	 Short Medium Long
Disclosure and modelling risk	← Outbound	<p>This risk is managed. It is non-value adding but arises as we rely on models to make informed business decisions. We take a risk-based approach to reduce the risk. Material misstatement or omission within external disclosures and sustainability reporting is not tolerated. All processes and systems introduce an element of operational risk and whilst controls are in place to manage and minimise the risk, a balance is sought on overall cost effectiveness, simplification and agility</p>	<ul style="list-style-type: none"> Annual disclosure process for ensuring production and governance of external reporting Processes in place for ensuring data quality, coverage and methodology for climate-related data/metrics Model governance process in place for validation of models, including climate-related models 	 Short Medium

How we deliver continued

Risk management continued

→ Our approach to general insurance

Insurance underwriting risk

Given the short-term nature of home insurance policies we are able to evaluate our view of risks regularly, and change our approach as risks develop to mitigate long-term exposure to climate risks. Our overall strategy is to continually review our acceptance criteria and pricing strategy for each risk based on both a short-term and long-term view. In-house expertise on physical risk is retained in the form of a dedicated weather modelling team. The team is comprised of specialists in hydrology, meteorology and probabilistic modelling who develop a baseline view of physical risk for the UK and conduct forward-looking climate stress testing on this.

This team has been in place since 2016 and has monitored and applied climate change science onto the view of risk used for capital, pricing, reinsurance and planning.

Financial management

An assessment of climate-related risks for general insurance liabilities is integrated into our insurance model governance process. Climate change is identified as a key topic for model review and approval within this process, and specifically, the appropriateness of the view of risk for the weather perils in the context of climate change science. This view of risk is integrated into assessments of capital requirements, reserving, reinsurance and pricing. It also feeds into the quarterly exposure management where insurance portfolio exposure arising from weather-related perils is monitored and controlled.

A third-party vendor model is used for the perils of inland flood, coastal flood and wind. The vendor model results are adjusted internally to better reflect our own exposure and experience.

Catastrophe modelling

The catastrophe weather model is a key component of the Scottish Widows Solvency II capital model. The results of the model by weather peril are used to inform the base rates for risk pricing. Accordingly, weather pricing models are used to inform how insurance premiums should vary across the book. The outputs are used to create a relative view of risk across the geographic domain of the book – i.e. how risk varies from location to location. The weather modelling team conducts a regular review of available research and models on climate change.

Key metrics

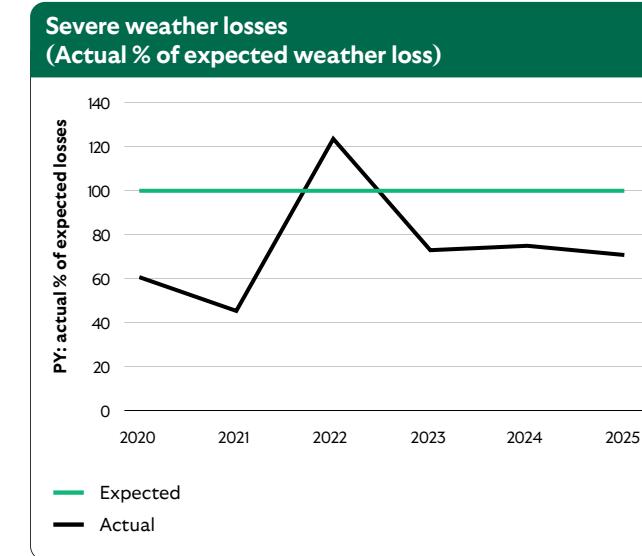
Many of our customers have been impacted by weather events in the last few years, specifically from events which have led to claims from inland flooding, coastal flooding and windstorm damage. Climate scientists predict that the frequency and severity of flooding could increase in coming years.

For example, sea levels in the UK could rise by up to one metre by the end of the century¹. This size of increase would likely affect the frequency and severity of our claims experience. Being able to identify and monitor trends in the increased physical risks, through a variety of metrics, is therefore very important.

Weather pricing models are used to inform how insurance premiums should vary across the book. We assign properties to risk bands to reflect the level of potential flood risk, with higher bands representing a higher risk of flooding. We can use this banding to manage our exposure in high-risk areas. Increasing the proportion of our portfolio in higher-risk bands could lead to significant increases in losses in the event of increasing severe events.

In addition, we monitor actual weather-related losses against expected weather losses. The graph below (severe weather losses) shows actual versus expected average annual loss on a net of reinsurance basis and covers inland flood, wind, coastal flood and freeze. Actual weather losses performed better than expected from 2020 to 2021 and from 2023 to 2025 due to relatively benign activity. However, due to the extreme cold weather in December 2022, in addition to small windstorm losses, actual weather losses for 2022 exceeded expected losses. The expected weather losses is a long-term view, so there can be significant volatility depending on weather events.

Percentage of insured properties which are in higher risk flood bands			
	Dec 2025	Dec 2024	Dec 2023
Inland flood	2.4%	2.7%	2.7%
Coastal flood	0.5%	0.5%	0.5%



¹ Time-mean Sea-level Projections Update: Technical Note, Met Office, March 2023.



How we deliver continued

Risk management continued

→ Conducting business responsibly

We believe that conducting our business responsibly means operating sustainably and inclusively; meeting our legal requirements; and always considering our impact on our customers, colleagues, society and the environment.

Customer conduct

Our policy sets out our approach to ensuring that we are delivering good customer outcomes from the design of the product and distribution strategy through to the service we provide to our customers. This supports our adherence to regulatory requirements, such as the FCA's Consumer Duty.

- Everyone in the Group must focus on the outcomes we want to deliver for customers and to ensure that evidence and monitoring is in place to assess whether those outcomes have been achieved
- We must act in good faith towards customers which is characterised by honesty, fair and open dealing and acting consistently with the reasonable expectations of customers
- We must ensure that our products offer fair value to customers and that we assess the cost to the customer against the benefits they receive

We have robust governance in place, under delegated authority from the Board, to provide oversight of the ongoing consideration of customer outcomes across the Group. We continue to evolve our data driven approach to monitoring and reporting on customer outcomes.

Customer vulnerability strategy

We deliver the customer vulnerability strategy by prioritising the right changes, ensuring effective implementation and maintaining consistent standards across the Group. You can learn more about our approach in the 'Empowering a Prosperous Future' chapter on [pages 22 to 36](#).

Upholding competition law

We believe that consumers benefit from healthy competition between providers of financial services, and we compete actively and fairly, striving to offer excellent service and competitive products which meet our customers' needs and provide good outcomes.

The Group does not tolerate anti-competitive practices noting that these could lead to customer harm, interventions by competition authorities; or breaches of competition law, which may have a significant financial or reputational impact on the Group. We recognise that competition law is not intended to stifle legitimate business while also recognising that we must deal in good faith with all our trading partners, including our suppliers and competitors.

Avoiding market abuse

We implement and monitor adherence with market abuse and personal account dealing procedures that are aligned with the UK's market abuse legislation. Market abuse, such as trading based on inside information or manipulating markets, is a criminal offence in the UK, the US and many other countries. Colleagues are personally responsible for ensuring that they comply with this policy and do not abuse the market. We have monitoring systems in place to detect instances of market abuse and procedures to ensure that any detected instances are dealt with swiftly and effectively. This includes procedures to identify and report suspicious transactions where relevant.

→ Customer complaints

Preventing complaints

In 2025, Lloyds Banking Group continued its commitment to improving customer experience through its root cause analysis framework and feedback loop.

The Group enhanced customer experiences through digitising journeys and delivering industry-leading fraud prevention, at the same time, customers made more payments year on year and showed increased demand for savings and service support. Within this context, complaints have risen this year driven by these factors. We saw increased volumes of complaints raised for Motor Commission during the year, which were paused pending the Supreme Court judgment and FCA redress scheme, which has now been consulted on. We expect these complaints to now be predominantly addressed as claims through the redress scheme.

Complaints about financial difficulties, fraud, service quality disputes and investments have fallen this year, driven by digital journey enhancements and targeted experience improvements. We remain committed to learning from feedback, leveraging AI, and strengthening processes to reduce complaints and further improve customer experience.



Responding to complaints

As a minimum standard we aim to meet the FCA's Dispute Resolution (DISP) rules and respond to non-payment complaints in eight weeks and payment complaints in 15 days. 2025 was a challenging year due to increased demand, largely driven by third parties, and an increased focus on getting things right first time for our customers.

Supporting efficiencies, we've continued to invest in new technology for our complaint handling experience. Our Retail business is proud to have launched Merlin, an AI-powered complaints frontend which reduces admin tasks making it easier for our colleagues to focus on what's important, supporting our customers.



How we deliver continued

Risk management continued

→ Economic crime prevention

Every day, economic crime threatens our customers and society. Economic crime is not victimless, often resulting in irreversible impacts transcending financial loss for victims, their families and communities.

We recognise the important role the Group plays in the detection and prevention of economic crime to protect our customers, communities and the integrity of the UK economy. We are committed to preventing the products and services we provide from being used to facilitate and commit crime, and we continue to invest and enhance our approach to keep pace with this evolving threat.

Since 2024, economic crime has been elevated to a principal risk in the Group's risk taxonomy to reflect its significance and importance to the Group. We conduct our activities with integrity, respecting our regulatory, ethical and social responsibilities to protect our customers. By adopting a risk-based approach we focus on those customers, products, channels and jurisdictions that carry a higher risk of economic crime. For further information refer to the risk management section on page 179 in the [annual report and accounts](#) →

Policy & Control Framework

The Group's approach to managing economic crime risk is founded upon a holistic Economic Crime Prevention (ECP) policy, which aims to ensure that risks are identified, monitored and mitigated on an active and ongoing basis. Our ECP policy sets mandatory requirements to which the entire Group must comply across the following key risk areas:

- anti-bribery and corruption (ABC)
- anti-money laundering (including counter terrorist financing and preventing the facilitation of tax evasion by associated persons)

- fraud (including preventing fraud by associated persons)
- sanctions

Our mandatory requirements go beyond the minimum legal requirements and support best practice.

The Group's compliance with the ECP policy is continuously monitored from multiple perspectives, including oversight and assurance; the provision of management information; audit; and oversight by senior governance committees.

We apply a range of automated tools and machine-aided techniques to monitor payments and transactions, and where necessary we will stop payments, close accounts and terminate relationships where activity is suspicious or cannot be appropriately explained. Potential relationships will be declined, and existing relationships terminated (where lawful to do so), where the level of economic crime risk is outside of our risk appetite.

Anti-bribery and corruption

As a Group, we will not tolerate acts of bribery or corruption committed by any of our employees, including the Board of Directors, and any third parties who act on our behalf. Our ECP policy requires that we comply with all relevant anti-bribery laws in the UK and abroad, including the UK Bribery Act 2010 and US Foreign Corrupt Practices Act.

The Group's ECP policy requires that all colleagues act with integrity and fairness, including completing appropriate due diligence when pursuing or awarding business. This specifically prohibits the offering, giving, promising or receiving of money or other inducements, or any other inappropriate practice which might be perceived to improperly influence a person's conduct in their professional or public duty.

In the most recent Transparency International (TI) Corporate Anti-Corruption Benchmark in November, the Group maintained an 'A' rating. This benchmark measures and compares the

performance of corporate (Anti-Bribery & Corruption) programmes in the UK using TI's extensive anti-corruption expertise with input from experienced specialist practitioners.

Failure to prevent fraud

In September 2025 the new corporate criminal offence of failure to prevent fraud came into force. A Group-wide programme ensured preparedness for the new offence, with the ECP Policy & Standards updated, tone from the top cascaded and mandatory fraud training modules delivered.

Training and awareness

Our approach to training supports a culture of economic crime detection and prevention among all our colleagues, with deeper expertise in all specialist roles. We undertake annual mandatory colleague training covering key economic crime risks – anti-bribery, fraud, anti-money laundering and sanctions – as well as colleague awareness activities so everyone can understand the role that they play in tackling economic crime. We also undertake customer awareness to help them protect themselves from financial crime. The Group's comprehensive economic crime prevention training programme is delivered and monitored via our Group-wide learning management system.

Working with partners and law enforcement

We recognise that tackling economic crime requires collective action. That's why we actively collaborate across the public and private sectors, sharing intelligence and shaping best practice to strengthen detection and prevention. Our partnerships span UK Finance, Cifas, law enforcement agencies including the National Crime Agency and City of London Police, as well as key government departments and regulators. We are proud to support initiatives such as the Joint Money Laundering Intelligence Taskforce and Data Fusion, and we are leveraging the Economic Crime and Corporate Transparency Act 2023 to enhance our capabilities and contribute to a safer financial system for all.

Pioneering use of criminal assets for fraud prevention

The Group has extended its industry-leading approach of using seized criminal funds for UK-wide fraud prevention initiatives. The scheme is unique in the banking sector, with Lloyds the only UK bank using frozen, criminal funds in this way.

This year, the funding will support fraud prevention initiatives by the UK Home Office, Stop Scams UK, the Dedicated Card and Payment Crime Unit (DCPCU), Age UK and We Fight Fraud. These initiatives will help drive prevention through supporting cross-sector data sharing, investigations, activities to disrupt criminal networks, further education and victim support.

Funding given to the Dedicated Card and Payment Crime Unit (DCPCU) has secured 123 arrests and led to the seizure of £3.2 million in criminal assets between 2022 and 2025. It has also helped We Fight Fraud to collaborate with universities and learning institutions to deliver training to prevent young people becoming money mules and engaged in economic crimes.

Protecting our customers, communities and the integrity of the UK economy from the devastating impacts of economic crime is a top priority at Lloyds Banking Group. We are committed to remain an industry leader in efforts to make the UK a hostile place for economic crime through our partnerships with the City of London Police and other parts of law enforcement, as well as our continuous focus on investing in innovative ways to fight fraud.

How we deliver continued

Risk management continued

→ Cyber security and data privacy

Cyber security and resilience

Our customers trust us to keep their money and personal data safe. To protect both, the Group defends against cyber-attacks through sophisticated technologies and capabilities. We deploy a threat-led approach, focused on enhancing our preventative, detective and responsive controls.

For our customers this means:

- Being able to access their money and financial products safely in our apps and websites, protected by our built-in security
- Support and education to keep them safe from cyber security and fraud threats whilst promoting the importance of secure behaviours through learning campaigns and regular communication
- Keeping their personal data safe within our robust security control environment

The Group monitors various threats and technologies, like Geopolitical Threat Actors, Digital Innovation and Transformative Technologies. We regularly test our cyber resilience and playbooks ready to respond to cyber-attacks including conducting red teaming exercises (both independent and internal) to test our threat responses capabilities and continuously improve our defences.

Compliance and controls

The Group has achieved Cyber Essentials+ certification and encourages our suppliers and other third parties to also gain this government-supported certification. The Group utilises a range of best practice guidance as inputs to our Security Policy Frameworks including the National Institute of Standards and Technology (NIST) cyber security framework, ISO 27000 and PCI DSS. Furthermore in 2025 the Group obtained ISO 27001 certification for 'LBG's management of information security in relation to the delivery of BACS Credit Transfers, CHAPS Payments and Digital Banking Log-on (Commercial Customers)'. The Group seeks and attains appropriate information security insurance, which is reviewed on an annual basis.

In addition, we undertake horizon scanning to proactively identify updates to the framework and opportunities to respond to regulation, alongside our annual policy refresh cycle.

In 2025, the Group achieved external validation of our security controls for the period 1 July 2023 to 30 June 2024, through an assessment of their design and operational effectiveness in the form of a System and Organisation Controls (SOC2) report. This covered our client-facing businesses in Commercial Banking, Lex Autolease, Lloyds Bank Capital Markets (LBCM), Insurance, Pensions and Investments.

Governance

Cyber security maintains a high level of focus up to Board level. Regular updates to the Board and Group Risk Committees are supported by a quarterly Board sub-risk forum focused on cyber security, IT resilience and operational resilience. Cyber and data security also form part of the Group's wider operational resilience framework. Embedding a culture of resilience and security across colleagues and key third parties is a focus area for the Group. The Group maintains strong and practised incident management frameworks. We continue exercising our incident management frameworks and teams upwards to Board level, with a focus on cyber security scenarios and threats.

Colleague training

Group colleagues and contractors must complete an annual mandatory four-part security training programme, highlighting the key threats and risks that colleagues face and advising on how to mitigate them. There are also a variety of training resources available such as:

1. Phishing simulation programmes tailored to each colleague's risk profile and training colleagues to spot phishing emails with additional guidance as necessary
2. Videos, articles, Viva Engage posts and newsletters on our Safe & Secure channels
3. A monthly webcast and popular online community
4. Bespoke presentations, event activations and videos



The team works with industry partners to continue to foster an attitude committed to acting securely rather than solely compliance. We are proud to have several highly skilled cyber security specialist education colleagues committed to maintaining and improving our cyber capabilities.

Cyber benchmarking

The Group undertakes a regular cyber benchmarking exercise, in conjunction with an independent consultancy, to understand and improve our cyber capabilities. This exercise continues to give us feedback on how our strategic focus areas compare against peers and ensures we continue to challenge ourselves to develop.

Collaboration

The Group recognises that cyber security is a material issue impacting our entire sector and we collaborate externally, working in conjunction with both our peers and the government on initiatives such as:

- The Financial Sector Cyber Collaboration Centre
- The UK government's National Cyber Security Centre
- The Cross-Market Operational Resilience Group
- The Cyber Defence Alliance (CDA)

Data privacy

The Group takes the responsibility of managing our customers' and colleagues' data seriously and values the trust placed upon us to ensure each individual's personal data is managed lawfully, fairly and in a transparent manner. We understand how personal data enables the delivery of good outcomes and how important our safeguards are for preventing customers and colleagues from foreseeable harm. The Group demonstrates accountability to data subjects and regulatory expectations through policy, process and controls, which we continually evolve to ensure individuals' personal data rights are respected in all the moments that matter, which includes ensuring:

- Collected and processed personal data is limited to what is necessary, processed lawfully, fairly and in a transparent manner
- Personal data is collected for a specific, legitimate, adequate and necessary purpose
- The risk posed to our data subjects is assessed, monitored, and escalated when necessary
- Processes are in place to facilitate the data subjects' individual rights
- Personal data is processed with appropriate protection against unauthorised or unlawful processing, and against accidental loss, or damage

How we deliver continued

Risk management continued

→ Whistleblowing

Speak Up and whistleblowing

We are committed to sustaining a culture where everyone feels safe, supported, and empowered to speak up if they see or suspect behaviour that could harm our customers, colleagues, communities or our business.

Speak Up is the Group's whistleblowing framework, providing a confidential or anonymous channel for people to report concerns if they feel unable to raise them with their manager.

Reports can be made in several ways, including online or via phone through an external third party, available 24/7, in a range of languages.

All concerns received through Speak Up are taken seriously and assessed to determine the most appropriate action. Where investigations are required, these are carried out by experienced investigators. The identity of anyone who raises a concern will not be shared beyond our Speak Up team (unless required by law). Anyone reporting a concern or involved in an investigation is supported throughout the process. We are committed to preventing and addressing any form of retaliation resulting from someone raising a Speak Up concern.

Commitment to a Speak Up culture

We expect high standards from everyone who works with us. Our Group Speak Up Policy sets out our commitment to a culture where colleagues feel safe and supported to raise concerns. For third-party suppliers, the Speak Up Policy Summary outlines our expectations – including the requirement to provide regular training and clear communication on how their employees can raise concerns, including directly through Lloyds Banking Group channels.

The Speak Up Framework is managed by the Speak Up team within Group Audit. The team maintains a comprehensive education and awareness plan to promote confidence in the Speak Up service and is responsible for the delivery of annual

Speak Up mandatory training to all colleagues. A separate pathway for line managers reinforces the critical role leaders play in building and sustaining a culture, where speaking up is valued.

The Group places strong emphasis on the capability of its Investigators, supported by a robust Training and Competency Framework. The Group actively engages with industry events and forums, sharing best practices and helping to shape whistleblowing culture across the industry.

Speak Up governance

Sarah Legg, a Non-Executive Director and Chair of the Group Audit Committee, serves as the Group's Whistleblowing Champion. The Champion oversees the integrity, independence, and effectiveness of the Group's Speak Up arrangements. Sarah sponsors an Annual Whistleblowing Report to the Group Board. The Group Audit Committee also receives regular updates on the effectiveness of the Speak Up framework, including case volumes, emerging trends, investigation outcomes and actions taken. Insurance and Lloyds Bank Corporate Markets have also appointed Whistleblowing Champions who oversee whistleblowing arrangements within those sub-groups.

Partnership with Protect

We are proud to be a long-standing member of Protect, the UK whistleblowing charity. We signpost Protect's free advice line to our colleagues, suppliers and third parties. The Group collaborates with Protect to benchmark and develop Speak Up initiatives, and share ideas with other members.

In 2025, we were pleased to sponsor Protect's research into how attitudes to whistleblowing differ across generations in the workplace. This was launched at a cross-industry event to mark World Whistleblowers Day 2025, held at our head office and online which attracted 400 attendees.

2025 key statistics

Concerns raised through Speak Up

656

2024: 607

Number referred for Investigations

76¹

2024: 112

Number resolved through Speak Up triage team

318

2024: 282

Number of investigations closed

85²

2024: 102

Number referred to other processes (e.g. HR or line management)

267

2024: 208

Number of investigations closed which were substantiated

48

2024: 51

% of investigations closed which were substantiated

56%

2024: 50%



¹ Includes five concerns raised in 2024 and investigated in 2025.

² Includes 21 investigations opened in 2024 which were closed in 2025.

How we deliver continued

Risk management continued

→ Our suppliers

Responsible and sustainable sourcing

We work collaboratively with our suppliers to ensure the way in which we source goods and services aligns with the Group's purpose, continuously improving our approach where required.

With responsible and sustainable sourcing playing a vital role in how we operate, our Business Sourcing Process sets out the key steps required when we select and contract with a supplier. There is also a defined Sourcing & Supplier Management Framework which enables the ongoing risk management of a supplier in line with the Group's risk appetite.

The risks associated with any arrangements with internal and external suppliers must be managed in compliance with the Group's risk policy framework. Business Units and Group Functions are accountable for ensuring all external supplier relationships comply with all relevant Group policies.

We have a robust set of processes and tools that facilitate the identification, assessment and mitigation of applicable risks.

- Supplier due diligence – Before selecting a supplier, we follow a due diligence process which evaluates them against key criteria across applicable risk domains. This includes compliance with the Code of Supplier Responsibility, and Financial Services Supplier Qualification System (FSQS) completion for managed suppliers
- Code of Supplier Responsibility – The key social, ethical and environmental values and behaviours that we expect suppliers to meet or exceed are set out in our Code of Supplier Responsibility (the Code). The Code is reviewed at least annually and updated to ensure it remains appropriate, relevant and applicable for our external suppliers. For further information refer to [the Code](#) →

- Managed suppliers and FSQS – The Group subscribes to FSQS, which is currently used by c.70 financial institutions. This is one of the tools we use to assess policy compliance, which forms an integral part of our supply chain management activity for new and existing suppliers
- Supplier assurance – An annual programme of supplier reviews is carried out through the Group's dedicated supplier assurance team, focusing on suppliers with the highest risk exposure to the Group on topics including resilience, cyber, data privacy and customer risk
- ESG-related risk assessment – To further understand our ESG-related risks we use EcoVadis' predictive sustainability analysis, gaining insight on the following key themes across our core supply base: environment, labour and human rights, ethics and sustainable procurement. We also ask our key suppliers to undertake an EcoVadis assessment as part of our Emerald Standard, see [page 72](#).

Embedding ESG into sourcing and supplier management

We continue to strengthen ESG integration across sourcing and supplier management, with progress reflected in improved benchmarks, fair payment recognition, and a supply chain inclusion strategy.

Benchmarking

- As part of the Group's annual EcoVadis assessment completion, we achieved a Sustainable Procurement score of 76, an increase from 60, out of a score of 100
- The Group achieved an A rating (the best possible score) for CDP Supplier Engagement, maintaining our leadership position in implementing current best practices
- The Group improved our CCLA benchmark score this year, assessing how companies tackle modern slavery, highlighting the positive impact of our collaboration with Unseen UK. This includes strengthening our understanding of modern slavery risks in our supply chain, and as a result enhancing our practices to mitigate them

Fair Payment Code

The Group was among the first major UK retail banks to achieve Gold Tier status in Cohort 1 of the Fair Payment Code, the government's new standard for fair and timely supplier payments, designed to set ambitious benchmarks and strengthen trust across supply chains.

In 2025 several of our legal entities (including Lloyds Bank, Lloyds Bank General Insurance, Bank of Scotland, MBNA, Lex Autolease, and Lloyds Bank Corporate Markets) also received the Good Business Pays Fast Payer Award which recognises consistent fast payers. This marks the fifth consecutive year the Group has been recognised, placing us in the top 10% of UK large corporate legal entities achieving the Good Business Pays threshold. This includes paying suppliers, on average, within 27 days or less and paying 95% or more of our invoices on time.

Supply chain inclusion

We recognise the role we play in ensuring our supply chain reflects the society we serve, enabling equal opportunity for all. In 2025, our supply chain inclusion activity focused on building a holistic and sustainable strategy – ensuring our people, processes and technology actively support an inclusive supply chain. This strategy is anchored on three core pillars:

- Enablement – embedding inclusion through measurable KPIs, system enhancements, and training for sourcing teams to make inclusive procurement standard practice
- Supplier Development – supporting diverse suppliers with capability-building programmes, guidance on meeting Group standards, and creating pathways for long-term partnership
- Engagement – driving awareness and collaboration both across the Group and externally through industry forums, advocacy partnerships and supplier outreach initiatives

Focus will be on gaining insight into our supplier base in 2026, which will continue to drive these three pillars.

Supporting suppliers

We remain committed to strengthening supplier capability through targeted training and dedicated programmes that enable shared progress across our supply chain.

Regulatory awareness

In 2025, to support awareness of the risk of modern slavery, we've made our Modern Slavery in the Supply Chain training available to our managed suppliers. This training was developed in collaboration with anti-slavery charity, Unseen UK. In addition, we held a dedicated virtual session for suppliers in partnership with Unseen UK to share expertise on sector vulnerabilities and emerging risk trends. The session also covered reporting mechanisms, escalation routes and practical ways to improve supply chain engagement beyond Tier 1. We will continue to support suppliers on this topic in 2026, by sharing a supplier-specific version of our new training which includes AI-powered scenarios that stimulate real-life situations.

Executive Supplier Summit

In July 2025, we convened our Executive Supplier Summit, bringing together c.170 senior leaders from our most strategic suppliers, each integral to delivering the critical products and services that power the Group's success. The event showcased our future vision and priorities – spanning Group strategy, security and regulatory readiness, and cutting-edge technology and innovation. Attendees also engaged with immersive installations highlighting our commitments to environmental sustainability and empowering underserved businesses, reinforcing the shared responsibility and ambition across our supply chain.

Looking ahead

We are proud of our journey so far, implementing processes, policies and frameworks aligned to sourcing goods and services in an ethical, inclusive and sustainable manner. Being aware of the work still to do and the evolving landscape around us, we are committed to further integration across sourcing and supplier management, whilst seeing value in the potential impact of emerging technologies in enabling greater transparency throughout the supply chain.

How we deliver continued

Risk management continued

→ Ethical use of Artificial Intelligence

The Group continues to recognise Artificial Intelligence (AI) as a powerful tool for unlocking value and operational efficiency for our customers and colleagues, while remaining ethical and sustainable in our practices.

In 2025, the Group advanced its AI governance by launching AI Assurance Framework, which covers the Group's appetite towards emerging and novel AI risks. This framework builds on our ethical principles and now includes enhanced coverage of environmental risks, agentic AI controls and guardrails for generative tasks.

Over the past year, we have used AI-powered solutions to support us in a range of areas including:

- Understanding customer complaints and behaviours
- Exploring insights from unstructured data sets
- Improving the quality of our learning and development offerings
- Strengthening our economic crime prevention controls

Improving the customer experience

By leveraging AI for customer-focused financial services, the Bank aims to improve customer access and engagement across the board, including empowering customers in underserved communities.

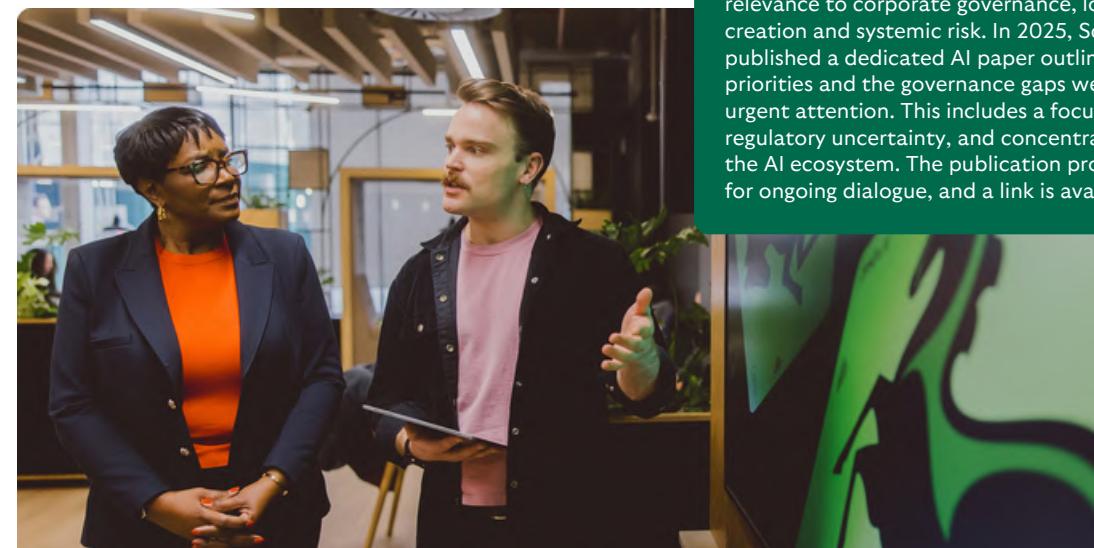
In 2025, we expanded our use of Large Language Models (LLMs). We also started exploring pathfinding agentic AI use cases. These have the potential to be integrated as conversational extensions inside our mobile customer banking applications, where they can support customers with tailored financial information navigation, while operating within defined ethical boundaries and autonomy safeguards. We also:

- Continued to develop our customer feedback tool, allowing customers to share how useful our support has been
- Enhanced our chat summariser tool, helping colleagues respond to queries quickly and accurately
- Invested further in Aveni.ai, supporting secure AI tools that detect customer vulnerabilities during calls

Managing the sustainability impacts of AI use

The Group recognises the potential of AI-powered banking to create both inclusive and disruptive sustainability impacts. In 2025, we proactively invested in upskilling colleagues and senior leaders on generative AI, its emerging applications in financial services and potential ethical implications.

We worked with Small Language Models (SLMs) to reduce environmental footprint while maintaining performance. One example is the address matching use case, which supports compliance with PRA requirements by accurately matching customer addresses using lightweight AI models with lower compute demands. We continue to develop our



capability to identify AI model impacts such as environmental impacts on our broader net zero targets and performing the TNFD LEAP assessment of our data centres through diagnostic tools and methodologies.

The Group's Responsible AI team continues to align our AI initiatives with sustainability ambitions, supporting both technological advancement and environmental responsibility. Where possible, we use existing methodologies to monitor the efficiency of upstream data centres and their use of renewable energy sources in those locations.

Use of artificial intelligence by our suppliers

Artificial intelligence is increasingly used by third-party suppliers in the products and services they provide to the Group. We expect suppliers to apply the same standards to AI-enabled solutions as those we apply within our own operations. We engage with suppliers to understand their approach to monitoring performance and address emerging risks. Suppliers are expected to ensure appropriate governance, transparency and oversight of AI, particularly where its use may affect customers or colleagues. This includes managing risks relating to fairness, bias and explainability, and supporting fair customer outcomes.

Investments and pensions

Scottish Widows first introduced AI as a formal stewardship theme in 2023, recognising its growing relevance to corporate governance, long-term value creation and systemic risk. In 2025, Scottish Widows, published a dedicated AI paper outlining stewardship priorities and the governance gaps we believe need urgent attention. This includes a focus on transparency, regulatory uncertainty, and concentration of power in the AI ecosystem. The publication provides a foundation for ongoing dialogue, and a link is available [here →](#)

→ Our approach to tax

Tax is one of the ways in which businesses contribute to the societies in which they operate, and we have been among the UK's highest payers of corporate taxes for several years.

In 2025, we paid £2.8 billion of cash taxes primarily on business profits, VAT on goods and services needed to run our business, bank levy and employer social security on staff wages and salaries. In addition, we collected £2.1 billion of cash taxes primarily from payroll and customer product taxes.

Appropriate, prudent and transparent tax behaviour is a key component of being a responsible business. We comply with the HMRC Code of Practice on Taxation for Banks.

We do not interpret tax laws in a way that we believe is contrary to the intention of Parliament, and we do not promote tax avoidance products to our customers.

Further information on the Group's approach to tax can be found in our tax strategy and approach to tax report 2025.



How we deliver continued

Risk management continued

→ Regulatory and supervisory developments

The Group continues to monitor the evolving sustainability reporting landscape. This section details activities undertaken to date to prepare for upcoming regulatory reporting changes.

International Sustainability Standards Board

The Group responded to the UK government consultations in September 2025, on UK Sustainability Reporting Standards (UK SRS), the UK version of the International Sustainability Standards Board (ISSB) standards. We have conducted gap analysis against UK SRS1 – General Requirements and UK SRS2 – Climate-related disclosure. We continue to take steps to enhance our current reporting in readiness for anticipated mandatory reporting under UK SRS in the future.

Supervisory Statement SS5/25

In December 2025, the PRA published Supervisory Statement SS5/25, outlining updated supervisory expectations for how firms manage the financial risks related to climate change. The Group's current activity and plans are directionally aligned with the new expectations, which build on previous guidance and provide further specificity. The Group continues to refine its plans to ensure continuing development of climate risk management capabilities in line with external expectations, notably for climate scenario analysis.

Corporate Sustainability Reporting Directive

The EU's Corporate Sustainability Reporting Directive (CSRD) mandates reporting in accordance with the European Sustainability Reporting Standards (ESRS) and the EU Taxonomy. The 12 EU Sustainability Reporting Standards have a multi-stakeholder focus, covering the full range of environmental, social and governance topics, using double materiality instead of financial materiality.

Our legal entities in Germany and Luxembourg were expected to start CSRD reporting on a legal entity basis in 2025, but legislative delays and the Omnibus package has changed the scope and timing of this regulation.

The Group continues to monitor EU regulatory changes and expects to report in line with requirements at a Group level as a non-EU parent company in the financial year 2028.

Corporate Sustainability Due Diligence Directive

The Corporate Sustainability Due Diligence Directive (CSDDD) interacts with the CSRD requiring large companies to carry out due diligence to identify and address the adverse human rights and environmental impacts of their operations, subsidiaries and value chains. While the Group is currently not directly in scope for the CSDDD, we continue to monitor the adoption and revision of the CSDDD within the EU to assess any implication this may have on the Group and its subsidiaries.

California Assembly Bill

The Group is assessed to be in scope of California Assembly Bill (AB 1305) which requires disclosure on net zero, carbon neutrality and emission reduction claims, as well as voluntary carbon offsets purchased, used, marketed or sold in California.

Our mapping against these requirements can be found in our sustainability reporting framework index 2025 noting we are not engaged in any offset activity in California that would require disclosure.

Taskforce on Nature-related Financial Disclosures

The Group continues to monitor Taskforce on Nature-related Financial Disclosure (TNFD) developments within the UK and Europe, noting a commitment by ISSB to consider a nature-related disclosure standard. Nature is integral to our overall environmental sustainability approach

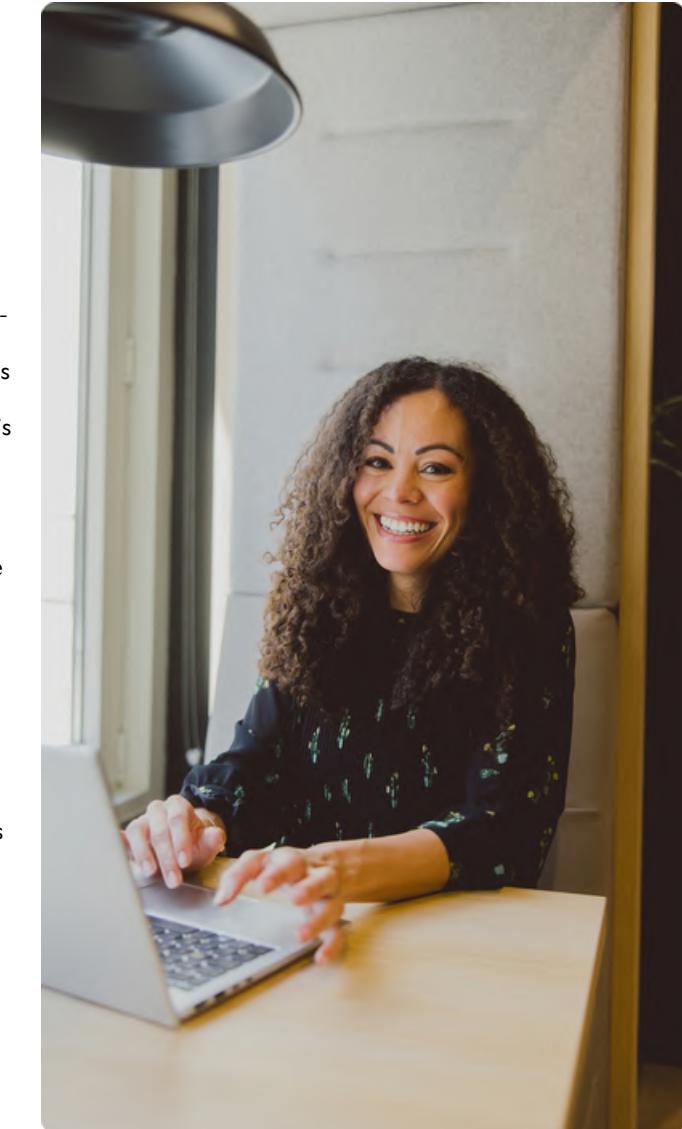
aligned to the four pillars of: Strategy, Governance, Risk Management and Metrics & Targets. The Group continues to signal progress towards TNFD recommended disclosures, highlighting our commitment to demonstrate nature progress where appropriate.

Sustainability disclosure requirements and investment labels

Scottish Widows reviewed the FCA's ESG 4 and 5 provisions on labelling and marketing as they apply to our business. We reviewed our existing processes and controls on the anti-greenwashing rule and have introduced new processes and controls. We have prepared new consumer-facing disclosures to comply with the ESG naming and marketing rules for the one retail fund meeting the relevant criteria. While the fund's approach invests in line with sustainability themes, it does not currently have a sustainable investment objective, as specified by the FCA. Therefore, we have not applied to the FCA for a sustainability investment label. We will continue to monitor requirements as the FCA's rules evolve to include other parts of our business.

Evolving legal and regulatory expectations

The Group continues to monitor evolving ESG-regulatory expectations as well as negative stakeholder sentiment regarding ESG across the jurisdictions it operates in, including the US. Although the Group seeks to comply with the local laws and regulations in the jurisdictions in which it operates and adapts its ESG-related policies and practices accordingly, these trends and their impact on the Group are difficult to predict and may result in reputational harm, litigation and other adverse legal consequences.



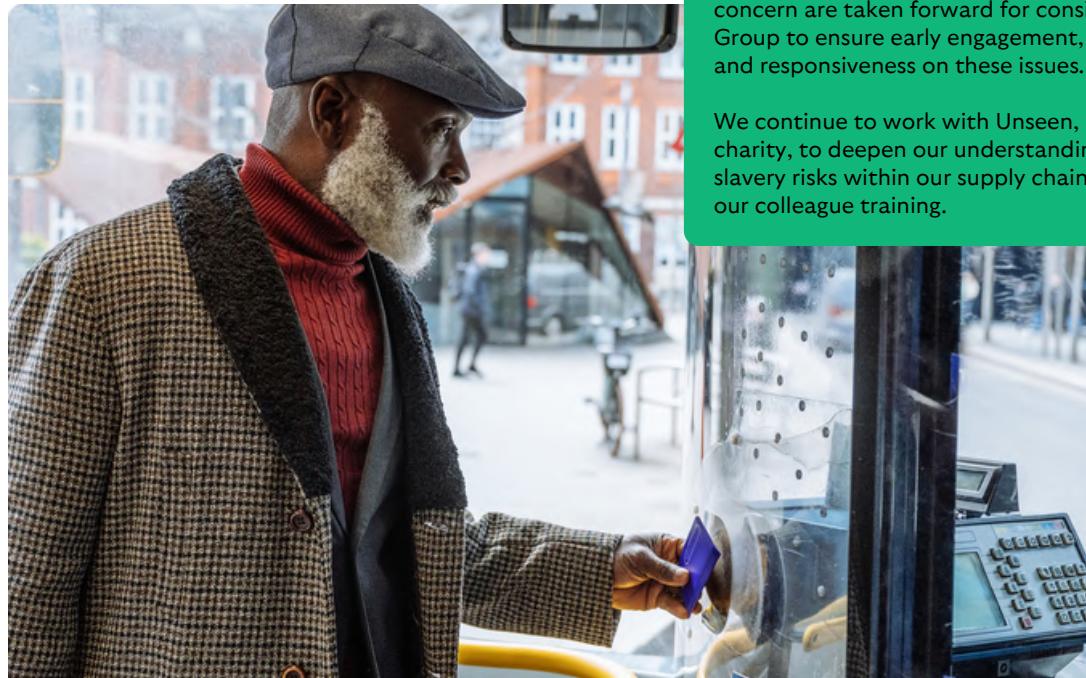
How we deliver continued

Risk management continued

→ Human rights and modern slavery

In 2025, we updated our Group Human Rights Position Statement.

Our updated [Human Rights Position Statement](#) consolidates our approach to managing human rights across our operations and business relationships. We have identified the most salient human rights risks in our value chain and continue to embed respect for human rights into our core business activities. We regularly review our operations to identify gaps and strengthen measures to prevent, detect and mitigate potential risks. This ongoing work supports our ambition to align with international standards and ensure consistent, effective management of human rights risks across the Group.



Improving oversight of human rights impacts

In 2025, we enhanced the Group's process for reporting suspected cases of modern slavery, providing clear signposting and guidance for our colleagues and suppliers to the supported pathways available to raise concerns. We have linked to the Group's Speak Up channel, enabling internal review and where appropriate, referral to external authorities such as the National Crime Agency, the Gangmasters and Labour Abuse Authority and Unseen UK. For more information on these enhancements, please see our [2025 Modern Slavery Statement](#) →

We recognise that strong community relationships are built not only on dialogue, but also on how effectively concerns are heard and understood. Guided by the expectations of the UN Guiding Principles on Business and Human Rights (UNGPs), we have developed a dedicated channel and criteria – accessible via our Group website – for communities to raise concerns where they believe activities linked to our direct commercial lending within the UK may have impacted their human rights. Upon review and where appropriate, submissions that meet the criteria for a community concern are taken forward for consideration by the Group to ensure early engagement, transparency and responsiveness on these issues.

We continue to work with Unseen, a UK anti-slavery charity, to deepen our understanding of modern slavery risks within our supply chain and enhance our colleague training.

Training our colleagues

We provide Group-wide modern slavery training available to all colleagues to raise awareness of modern slavery, enhance the understanding of how it affects our business, and equip colleagues to identify concerns and support survivors. In 2026, we plan to reinforce the importance of the issue by making this training mandatory for all colleagues.

As part of our mandatory Economic Crime Prevention training, colleagues complete a module focused on the laundering of funds from modern slavery, highlighting how exploitation may occur through control of bank accounts or identity documents.

In 2025, we delivered training for the Group Board on human rights and modern slavery risks. This supports senior leaders in making informed decisions aligned with our purpose-driven strategy and legal obligations, including the Modern Slavery Act 2015.



Investments and pensions

Scottish Widows introduced human rights as a stewardship theme in 2022 and began direct social engagement in 2023. In 2025, we focused on apparel companies, stressing the need for transparent incident reporting as part of effective due diligence.

Through ShareAction's Good Work Coalition, we co-signed investor letters on the real living wage and later filed shareholder resolutions at Next, M&S and JD Sports, which gained meaningful support and prompted improved disclosure discussions.

We also advanced human rights data quality by engaging with data providers and contributing to norms-breach assessments under the Investor Initiative on Human Rights Data. For more information, please see the [Scottish Widows Responsible Investment and Stewardship Report](#) →



How we deliver continued

Risk management continued

Human rights impacts and how we are addressing them



Customers

Economic crime including anti-money laundering and counter-terrorist financing

The Group maintains its focus on protecting and minimising the impact on our customers and the Group whilst reducing the harm to communities caused by criminals and terrorists. See [page 135](#).

Data privacy and security

The Group has a Chief Data and Analytics Office which oversees the Group's policies in relation to data privacy and ethical use of data and AI. See [pages 136, 139](#) and our annual report and accounts → page 196

Modern slavery, forced labour and human rights abuses

For further information on our approach to modern slavery and human trafficking, see our modern slavery statement which can be found [here →](#)

Customers who are more vulnerable including due to critical illnesses, the elderly and customers with disabilities

We are committed to supporting both colleagues and customers through vulnerable situations, see [pages 22 to 36](#).

Domestic and economic abuse victims

Our specialist support teams exemplify our commitment to providing tailored assistance for customers in specific circumstances, see [page 25](#).

Mental health of customers

Lloyds Bank, Halifax and Bank of Scotland continued to receive the 'Mental Health Accessible' accreditation (Advanced Level) from the Money and Mental Health Policy Institute (MMHPI) in 2025, see [page 26](#).

Environmental and social high-risks in lending

The Group is cognisant of the impact of environmental and social risks on our lending and investment activities. See [page 76 to 77](#) and [pages 124 to 133](#).



Colleagues

Fair remuneration

Lloyds Banking Group became a UK Living Wage Employer in 2015. We have worked, and continue to work, with third-party contractors to ensure that they operate in line with our commitments.

Non-discrimination, inclusivity and equality/harsh or degrading treatment/harassment

The Group has a colleague inclusion programme and is committed to meeting its statutory responsibilities as an employer.

We do not tolerate discrimination on the basis of protected attributes including race, religion, national or ethnic origin, citizenship status, political opinion, age, marital or relationship status, carer responsibilities, sex, sexual orientation, gender identity, intersex status, pregnancy, parental status, breastfeeding, disability, veteran status, trade union activity or other legally protected status. Read more on [pages 48 to 59](#).

Mental health of colleagues

Our focus on mental health is a key component of our colleague health and wellbeing strategy, see [page 57](#).

Freedom of association/collective bargaining

We support colleagues' rights to exercise freedom of association and have extensive consultation and collective bargaining processes in place, both in the UK and overseas. See [page 56](#).

Health and safety of colleagues, contractors and visitors

Ensuring a safe working environment is key to the operation of the Group as we are an organisation dependent on our people. See [page 57](#).

Accessibility for persons with disabilities

The Group has an extensive diversity, equity and inclusion programme. See [page 53](#).

Family Support

We offer a range of support for colleagues starting or growing their families, including leave. Maternity / Adoption leave gives colleagues 52 weeks; six months of this is fully paid. Partners are also entitled to have six weeks of fully paid paternity leave.

Whistleblowing

The Group runs an independent whistleblowing programme. It is available to all colleagues, suppliers, contractors and third parties. See [page 137](#).



Communities

Access to housing in communities

Through our charity partnership we are working with Crisis (and Simon Community in Northern Ireland) to help them provide the support that people need to leave homelessness behind for good. See [page 46](#).

Domestic and financial abuse

Our Domestic and Financial Abuse team, set up in 2019, supports survivors to rebuild their finances, see [page 25](#).

Drug trafficking and financial exploitation of young people including county lines

We work collectively with industry bodies, law enforcement, regulators and governments. These partnerships are crucial to our ambition to reduce crime across society and to Helping Britain Prosper, see [page 135](#).

Modern slavery and human trafficking

For further information on our approach to modern slavery and human trafficking and our community-based initiatives, access our modern slavery statement which can be found in [our sustainability downloads →](#)

Community concerns

We have a dedicated channel – accessible via [our Group website →](#) – for communities to raise concerns where they believe activities linked to our direct commercial lending may have negatively impacted their human rights.



Suppliers

Compliance with UK Modern Slavery Act and human rights risks

We expect suppliers to meet or exceed the provisions in our code of supplier responsibility and contractually commit to monitoring modern slavery risks across its business and supply chain. See [page 138](#).

Fair remuneration and recruitment practices

We have worked and continue to work, with third-party contractors to ensure that they operate in line with our commitments and expect them to ensure that the wages they pay meet legally mandated minimum requirements without unauthorised deductions.

Access to effective remedy for individual victims of human rights violations and whistleblowing mechanisms

Speak Up is the Group's whistleblowing programme available to all colleagues across the Group, including suppliers, contractors and third parties. See [page 137](#).

For further information on our salient human rights risks, you can read the [2025 Modern slavery statement](#) and the [Human rights position statement](#) here →





Forward-looking statements

Disclaimer

The reader should be aware that this document, and the information contained within it, has been prepared on the following basis: (i) this document and its contents are not externally audited; (ii) all material contained in this document is subject to change without notice; (iii) the material in this document does not constitute any investment, accounting, legal, regulatory or tax advice or an invitation or recommendation to enter into any transaction; (iv) estimates expressed in this document should be regarded as indicative, and for illustrative purposes only; and (v) this document has been prepared using models, methodologies and data which are subject to certain limitations (as explained in the "models, methodologies and data" section below). Expected and actual outcomes may differ from those set out in the document (as explained in the "forward-looking statements" section below).

This document's use of the terms "material," "materiality" and other similar terms should be understood in the context of ESG and sustainability reporting and are not intended to be have the meaning those terms have under the securities or other laws of the United States or any other jurisdiction or as these terms are used in the context of financial statements and financial reporting.

Public information

Some information appearing in this document may have been obtained from public and other sources and, it has not been independently verified by the Group and no representation or warranty is made by the Group as to its quality, completeness, accuracy, fitness for a particular purpose or non-infringement of such information.

Opinions and views of third parties

Any opinions or views of third parties expressed in this document are those of the third parties identified, and not of the Group, its affiliates, directors, officers, employees or agents. By incorporating or referring to opinions and views of third parties, the Group is not, in any way, endorsing or supporting such opinions or views.

Models, methodologies and data

The data contained in this document reflects best estimates at the relevant time. The models, methodologies and data used in information in this document, including in relation to the setting of the Group's emissions targets, net-zero transition strategy, climate scenario analysis and transition plan, are subject to certain limitations. These include (i) that they are subject to future risks and uncertainties which may change over time, (ii) for external data, or methodologies and models developed by a third party, they could be subject to adjustment which is beyond the Group's control; (iii) the quality of data can vary, which may impact the outputs of models and methodologies; (iv) in respect of climate-related models, methodologies and data in particular, are not of the same standard as those available for other financial information, nor subject to the same standards, benchmarks or standardised accounting principles, and historical

data may not be an accurate indicator of the future trajectory of climate change impacts. Moreover, measurement technologies and analytical methodologies are in constant development; there is a lack of international coordination on data and methodology standards, and there exists future uncertainty, which includes (amongst others) developing global and regional laws, regulations and policies and evolving classification frameworks and climate science knowledge and data.

Where the Group has used the methodology and tools developed by a third party, the application of the methodology (or consequences of its application) shall not be interpreted as conflicting with any legal or contractual obligations and such legal or contractual obligations shall take precedence over the application of the methodology. Where the Group has used underlying data provided or sourced by a third party, the use of the data shall not be interpreted as conflicting with any legal or contractual obligations and such legal or contractual obligations shall take precedence over the use of the data. Further development of reporting or other standards could impact the metrics, data and targets contained in this document. From one reporting period to another, direct comparisons of each statement of information or data may not always be possible, and information may be updated from time to time.

No liability

While reasonable care has been taken in preparing this document, neither the Group nor any of its affiliates, directors, officers, employees or agents make any representation or warranty as to its quality, accuracy or completeness, and they accept no responsibility or liability for the contents of this material, including any errors of fact, omission or opinion expressed.

Forward-looking statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward-looking statements. Words such as, without limitation, 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'deliver', 'endeavour', 'prospects', 'optimistic' and similar expressions or variations on these expressions are intended to identify forward-looking statements. These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group's future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and

governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; the Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact and statements of assumptions underlying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. There are inherent risks and uncertainties associated with achieving future emissions targets and implementing net-zero transition strategies and plans in a complex, interdependent, and continually evolving global landscape. The Group therefore reserves the right to adjust, amend, or adapt its metrics and targets in response to unforeseen circumstances or changes in external factors and dependencies which impact the feasibility of achieving the stated targets.

Factors that could cause actual business, strategy, targets, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward-looking statements include, but are not limited to: general economic and business conditions in the UK and internationally (including in relation to tariffs); imposed and threatened tariffs and changes to global trade policy; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the escalation of conflicts in the Middle East; the tensions between China and Taiwan; political instability including as a result of any UK general election; market related risks, trends and developments; changes in client and consumer behaviour and demand; exposure to counterparty risk; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; natural pandemic and other disasters; risks concerning borrower and counterparty credit quality; risks affecting insurance business and defined benefit pension schemes; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; risks associated with the Group's compliance with a wide range of laws and regulations; assessment related to resolution planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; operational risks including risks as a result of the failure of third party suppliers; conduct risk; risks related to new and emerging technologies, including artificial intelligence; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks;

technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions) and decarbonisation, including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high calibre talent; the ability to achieve strategic objectives; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; assumptions and estimates that form the basis of the Group's financial statements; and potential changes in dividend policy. A number of these influences and factors are beyond the Group's control. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC's website at www.sec.gov, for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward-looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document whether as a result of new information, future events or otherwise. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.



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