



# **Animal welfare and UNESCO World Heritage Site sector statements**



**Lloyds Banking Group**  
Animal welfare and UNESCO World Heritage Site sector statements  
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## Context

At Lloyds Banking Group (the Group), our purpose is Helping Britain Prosper. As one of the UK's largest financial services providers, we have an important role to play in creating a more sustainable and inclusive future for people and businesses. Given our unique position at the heart of the UK economy, we embrace our responsibility to help address some of the biggest economic, social and environmental challenges that the UK faces.

We are committed to operating in accordance with international standards including the International Bill of Human Rights<sup>1</sup>, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the International Labour Organization Declaration on Fundamental Principles and Rights at Work. *Clients* must comply with all applicable laws and regulations, and we expect them to respect the human rights of both their own workforce and those in their supply chain.

### Scope and Approach

These statements apply to the specific *client* entities that have a direct lending relationship with the Group, including direct loans from Scottish Widows<sup>2</sup>.

The criteria set out in these statements form part of our broad multi-factor credit risk assessments and credit decisioning process, including any new or extended direct lending relationship with the *client*.

### Insurance and Investment Activities

Where our Insurance business invests its own funds or customer funds in assets traded in the public markets, these statements do not apply, and instead we use professional third-party asset managers. For our mandated funds where we have full control over investments, our asset managers are required to follow the Scottish Widows Exclusions Policy and the Scottish Widows Stewardship Policy as applicable. The overall ambition of these policies is consistent with the ambition of these sector statements, which is to align lending and investments with the transition to a sustainable and low-carbon economy, thus reducing our exposure to Environmental, Social and Governance (ESG) related risks that could translate into financial risk for both the *client* and the Group.

### Risk Management

As a Group, managing risk effectively is fundamental to our strategy and future success. Our approach to risk plays a key role in the Group's strategy and is founded on an effective control framework, which guides how our colleagues work and behave and the decisions they make. As part of this framework, risk appetite – the amount and type of risk that the Group is prepared to seek, accept or tolerate in delivering our Group Strategy – is embedded in policies, standards, authorities and limits across the Group. Our prudent risk culture and appetite, along with close collaboration between the Risk Function and the Business Units, supports decision-making. 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.

Addressing the potential impacts of climate change, how our *clients* are engaging with the opportunities and challenges created by climate change and the need to transition to a low-carbon economy plays a key role in our risk management approach to sustainability. Where ESG related risks may lead to financial exposure – such as regulatory penalties, litigation, operational impacts or stranded assets – they are considered in credit decisions as part of our broad multi-factor risk-based assessment.

We use individualised, risk-based assessments to evaluate ESG related risks that could translate into financial exposure. ESG risk management is integrated into our broad multi-factor risk-based decisions where material ESG factors could affect creditworthiness or operational resilience.

We have a range of external sector statements that apply to the Group's *direct lending* activities, which reflect the approach we take to the risk assessment of our *clients* related to climate change and other ESG related issues.

### Client Monitoring and Due Diligence

In all sectors *clients* must comply with all applicable laws and regulations. If we become aware that a *client* has breached any applicable international, regional or national laws, we would require the *client* to implement action plans that aim to address and resolve such breaches.

<sup>1</sup> Comprising the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights.

<sup>2</sup> Sector statements are applicable to *clients* where we can identify *client* activity by their standard industry classification (SIC) code (excluding automated decisioning for smaller counterparties, currently for new lending of £100,000 or less).

Where appropriate, we maintain regular engagement with *clients* with whom we have a direct lending relationship, including reviewing publicly available information such as filings, press coverage and analyst reports. ESG related risks are considered for all such *clients* and are addressed in new and renewal credit applications. We take a risk-based and bespoke approach to ESG risk assessment for specific sectors and financial thresholds, recognising that the nature and materiality of ESG related risks can vary significantly across industries. For project finance activity, the Group is a signatory to the Equator Principles and applies them to all relevant transactions.

As part of our control framework and to monitor *client* adherence to our sector statements, we have a number of ESG Risk Management processes in place, which are outlined in the Risk Management section of our [Group Sustainability Report](#). These include processes for assessing counterparties and transactions in relation to environmental risks, including both climate and nature considerations, alongside social and governance considerations.

To assess these risks effectively, we use our ESG Risk Tool, which incorporates tailored assessments designed to identify and mitigate potential risks. These assessments form part of our broad multi-factor credit assessment, ensuring transparency and accountability. Higher-risk *clients* and transactions are subject to enhanced due diligence, 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.

We regularly review all of our *clients* with whom we have a direct lending relationship, and where we identify that they appear to be operating below our requirements, we will work with our *clients* to understand how they plan to transition to meet them.

## Statement Criteria

Our statements outline a number of criteria for our *clients*, which are grouped into the following categories.

<p><b>Prohibited</b></p> <p><b>Mandatory</b> criteria that <i>clients</i> must not be breaching at the organisational or project/transaction level as relevant.</p> <p>Example:                      “We will not provide financing to...”                      “We will not provide direct financing...”                      “We will not provide project specific finance...”</p>	<p><b>Required</b></p> <p><b>Mandatory</b> criteria that <i>clients</i> must meet at the organisational or project/transaction level as relevant.</p> <p>Example:                      “We will only provide financing to...”</p>	<p><b>Expected</b></p> <p><b>Non-mandatory</b> criteria we expect <i>clients</i> to meet or to comply with over time.</p> <p>Example:                      “We expect <i>clients</i>...”</p>	<p><b>Encouraged</b></p> <p><b>Non-mandatory</b> criteria we encourage <i>clients</i> to consider, given industry best practice.</p> <p>Example:                      “We encourage <i>clients</i>...”</p>
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Words in *italics* are defined in the Glossary table and clarify the intended scope of certain words in this statement.

The background features a dark green field with large, flowing, organic shapes in a lighter green and black. These shapes create a sense of movement and depth, framing the central text.

# **Animal Welfare**

## Context

We recognise that there are several risks associated with animal welfare and that as a financial services provider we can be connected to potential adverse impacts on animal welfare, and that animal welfare could potentially be adversely impacted in several of the sectors in which the Group is active.

### Scope

Our approach covers the following activities:

- Wildlife and *endangered species*
- Animal testing and biotechnology
- Processing or trading of fur products
- Animals and entertainment

### Company Level Criteria

#### Prohibited

*We will not provide financing to clients directly involved in:*

##### **Wildlife and endangered species:**

- Trade in wildlife or wildlife products regulated under CITES<sup>3</sup> (focus on endangered categories)
- Trade involving *endangered species* for commercial purposes

##### **Animal testing and biotechnology:**

- Performing or contracting commercial, non-healthcare related animal testing (including but not limited to cosmetics testing)
- Using *endangered species* or great apes (gorillas, orang-utans, bonobos, chimpanzees) for testing or experimental purposes
- Using genetic modification and cloning of animals (or humans) for commercial purposes

##### **Animals and entertainment:**

- Supporting any type of animal fights for entertainment
- Using cetaceans (whales and dolphins) for entertainment
- Organising entertainment events with animals where the Five Freedoms of Animal Welfare are not respected

*We also will not provide new or increased financing to clients directly involved in:*

##### **Fur (excludes leather and wool):**

- Fur activities (including capturing or keeping animals for fur, manufacturing, trading or selling fur products)

#### Required

*We will only provide financing to clients:*

##### **Animal testing and biotechnology**

That develop or manufacture medical products that perform testing on animals, subject to meeting the criteria below:

- The activity minimises the use of laboratory animals and the number of animals used
- *Clients* performing or contracting animal testing must be able to evidence clear policies and procedures for the care, welfare, treatment, sourcing, breeding and transport of animals which includes commitment and compliance to the 3R Principles of Replacement, Reduction and Refinement
- *Clients* engaged in research into the genetic modification and cloning of animals (or humans) must fully meet existing external ethical standards/statements (e.g. Nuffield Council on Bioethics and UNESCO International Bioethics Committee etc)

#### Encouraged

*We encourage:*

- Our *clients* to comply with voluntary standards of animal welfare where relevant, including meeting the standards set out by the *Five Animal Freedoms* in jurisdictions where they are currently not required by local regulations

<sup>3</sup> Convention on International Trade in Endangered Species of Wild Fauna and Flora ([www.cites.org](http://www.cites.org)).



# UNESCO World Heritage Sites and Ramsar Wetlands

## Context

Due to the importance of the UNESCO *World Heritage Sites* and the *Ramsar Wetlands*, the Group will not support projects that damage these areas in the ways outlined below.

### Scope

Our approach applies to all projects.

### Project Criteria

#### Prohibited

*We will not provide financing to projects that could result in:*

- A *World Heritage Site* being placed on the “In Danger” list, unless the World Heritage Committee specifically agrees in advance to that project
- The special characteristics of a *Ramsar Wetland* designated under the *Ramsar Convention* on Wetlands of International Importance being threatened



## Glossary

Terms	Definition
<b>Client(s)</b>	Client(s) refers to businesses and does not include individuals.
<b>Finance, financing or direct lending</b>	Finance, financing or direct lending refers to all primary lending activity by the Group. Passenger or light commercial vehicle leasing/ financing activity is not included.
<b>Endangered species</b>	As defined by the International Union for Conservation of Nature (IUCN) Red List of Threatened Species or as defined in any national legislation.
<b>Directly involved in/ directly involve</b>	This refer to all activities and sites over which the client has operational or financial control.
<b>Five Animal Freedoms</b>	<p>The Five Animal Freedoms are internationally accepted standards of care that affirm every living being's right to humane treatment. These standards were developed by Britain's Farm Animal Welfare Council in 1965 and adapted by the Association of Shelter Veterinarians for companion animals in shelters.</p> <p>The Five Freedoms ensure that we meet the mental and physical needs of animals in our care:</p> <ol style="list-style-type: none"> <li>1. <b>Freedom from hunger and thirst</b> by ready access to fresh water and diet to maintain health and vigour. This must be specific to the animal. For example, puppies, adult dogs, pregnant cats and senior cats all need different types of food provided on different schedules.</li> <li>2. <b>Freedom from discomfort</b> by providing an appropriate environment including shelter and a comfortable resting area. This means providing soft bedding and an area with appropriate temperature, noise levels and access to natural light. If an animal is outside, it must have shelter from the elements as well as appropriate food and water bowls that will not freeze or tip over.</li> <li>3. <b>Freedom from pain, injury or disease</b> by prevention or rapid diagnosis and treatment. This includes vaccinating animals, monitoring animals, physical health, treating any injuries and providing appropriate medications.</li> <li>4. <b>Freedom to express normal behaviour</b> by providing sufficient space, proper facilities and company of the animal's own kind. Animals need to be able to interact with – or avoid – others of their own kind as desired. They must be able to stretch every part of their body (from nose to tail), and run, jump, and play. This can be particularly challenging when animals are housed in individual kennels.</li> <li>5. <b>Freedom from fear and distress</b> by ensuring conditions and treatment which avoid mental suffering. The mental health of an animal is just as important as its physical health – as psychological stress can quickly transition into physical illness. These conditions can be achieved by preventing overcrowding and providing sufficient enrichment and safe hiding spaces.</li> </ol> <p>Source: <a href="#">Animal Humane Society</a></p>
<b>Ramsar Wetlands</b>	Ramsar Wetlands refers to wetlands that are registered on the List of Wetlands of International Importance, also known as the Ramsar List. Source: <a href="#">Ramsar List</a>
<b>Ramsar Convention</b>	The Ramsar Convention refers to the Convention on Wetlands, which is the intergovernmental treaty that provides the framework for the conservation and wise use of wetlands and their resources. Source: <a href="#">Ramsar</a>
<b>World Heritage Sites</b>	World Heritage Sites are places designated by the United Nations Educational, Scientific and Cultural Organisation (UNESCO) as areas of cultural or physical significance under the World Heritage Convention. Source: <a href="#">UNESCO WHC</a>

## Disclaimer

*These sector statements are intended to set out, at a high level, how Lloyds Banking Group approaches and manages selected sustainability-related issues across certain sectors. These statements are intended to provide non-exhaustive, indicative and general information only, and there can be no guarantee as to the accuracy, currency or completeness of the information contained in these statements.*

*These statements represent our policy positions as at the date of publication and their application may be affected by a wide range of circumstances some of which may be beyond our control, including, but not limited to, legal requirements or prohibitions in particular jurisdictions, government policy, the overall regulatory environment and/or client behaviour, and the application of these statements remains subject to compliance with local laws and regulations. These statements may be varied due to the foregoing or other factors and/or replaced at any time without notice or giving reason, and no assurance or representation is given that these sector statements will meet any present or future expectations or requirements, or be followed in all instances. We accept no obligation or duty to update these statements or provide notice of any exceptions.*

*These sector statements may contain forward-looking statements, including as to our intentions and objectives, which are based on current expectations and projections about future events. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Lloyds Banking Group's ability to control or predict. Forward-looking statements are not guarantees of future actions.*

*These sector statements do not form part of any offering documents and are not binding (contractually or otherwise). These sector statements are for Lloyds Banking Group's use only and Lloyds Banking Group accepts no duty of care, responsibility or liability in relation to these statements or their application or interpretation, including as to their accuracy, completeness or sufficiency, or any outcomes arising from the same. No representations or warranties, express or implied, are made as to the fairness, accuracy, completeness or correctness of the information contained in these statements. We do not accept any liability to any party for any loss, damage or costs howsoever arising, whether directly or indirectly, whether in contract, tort (including negligence) or otherwise from any action or decision taken (or not taken) as a result of any person relying on or otherwise using these statements or arising from any omission from them. Third parties should seek their own independent advice before making any decisions based on the information provided in these statements. Lloyds Banking Group is under no obligation and does not give any undertaking to provide any additional information in relation to these sector statements or their application, or to update these sector statements to correct any inaccuracies or errors.*