



# Forestry & agricultural commodities sector statement



**Lloyds Banking Group**  
Forestry & agricultural commodities sector statement  
February 2026

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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.

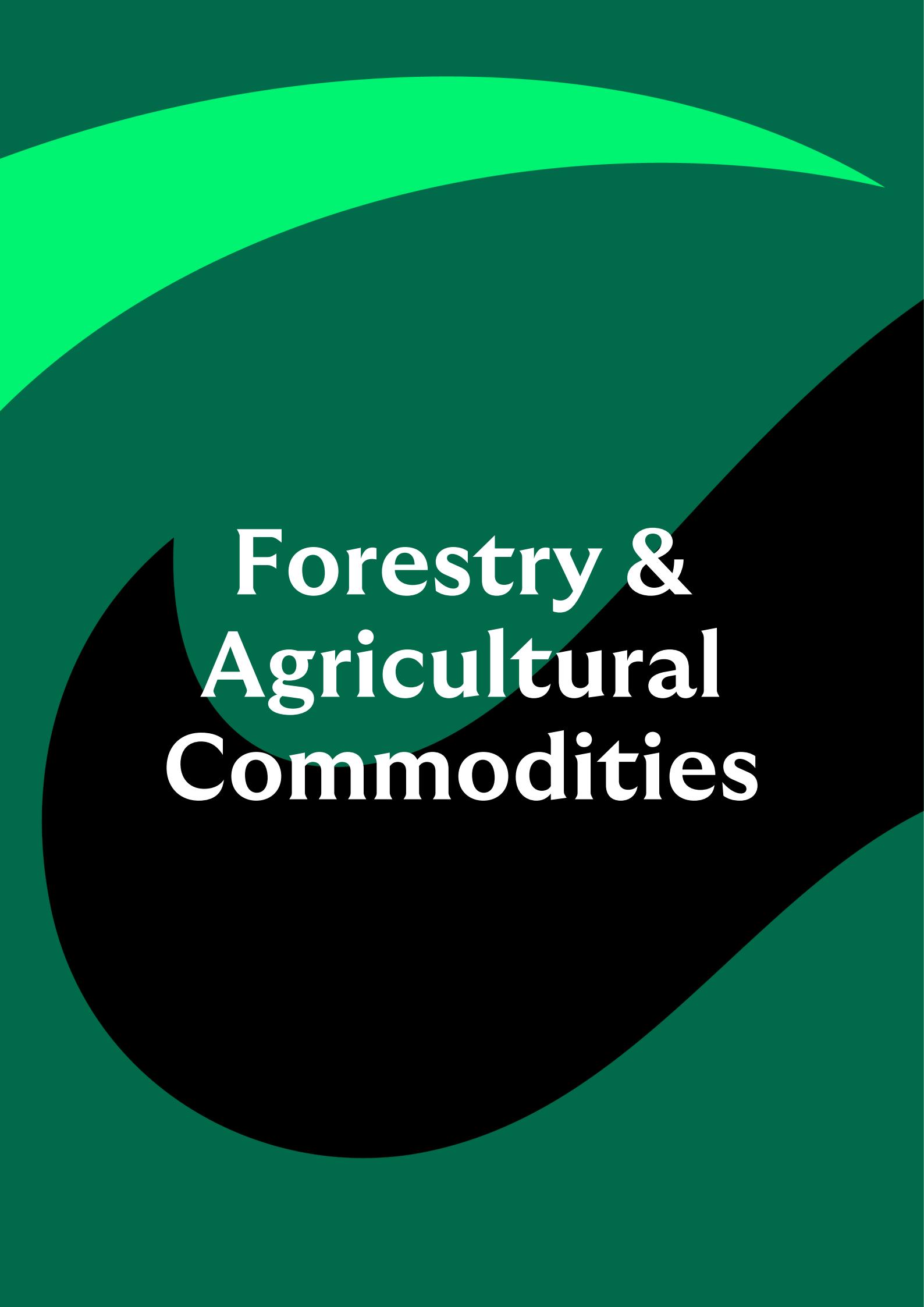
We regularly review all of our *clients* with whom we have a direct lending relationship, and where we identify that they appear to be operating below our requirements, we will work with our *clients* to understand how they plan to transition to meet them.

## Statement Criteria

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

Prohibited	Required	Expected	Encouraged
<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>

Words in *italics* are defined in the Glossary table and clarify the intended scope of certain words in this statement.



# Forestry & Agricultural Commodities

## Context

Forests serve as important carbon sinks, and the clearance of primary forest cover increases greenhouse gas emissions<sup>3</sup>. As well as being home to over 80% of the world's terrestrial biodiversity, forests provide livelihoods to millions of people in rural communities and play a critical role in supporting essential systems for the functioning of the planet, such as clean water and air, natural cooling and food security<sup>3</sup>. Alongside supporting the goals and targets of the Kunming-Montreal Global Biodiversity Framework<sup>4</sup>, scientific research has concluded that protecting and restoring forests offers one of the most promising solutions to keeping the Paris climate target of 1.5°C alive<sup>5</sup>.

Agricultural commodity *production* is a key driver of *deforestation* and land *conversion* globally. It is estimated that more than a quarter of global forest loss is due to *deforestation* through permanent land use change for the *production* of agricultural commodities, such as soy, palm oil and beef<sup>6</sup>.

All actors in agricultural commodity *supply chains* have an important role to play in improving sustainable *production* and sourcing practices. The Group recognises that the UK is a significant consumer of commodities with links to *deforestation* and *conversion*. *Clients* and suppliers in our value chain may be *directly involved* in activities, or have affiliates and/or *supply chains*, that contribute to *deforestation* and *conversion*.

We also recognise the human rights issues often associated with *deforestation* and *conversion*. The rights of indigenous peoples and local communities – such as the rights to property, culture, self-governance, food security and livelihoods – can be especially vulnerable to impacts in agricultural commodity *supply chains*.

This statement will evolve over time as our understanding of *deforestation*-related risks deepens.

## Scope

Our approach covers *clients* using any of the following agricultural commodities, including any products derived from them, in their commercial activities:

- Palm oil
- Soy
- Timber, pulp and paper
- Cattle products (beef and/or leather)
- Cocoa
- Coffee
- Rubber

<sup>3</sup> [Forests, desertification and biodiversity - United Nations Sustainable Development](#)

<sup>4</sup> [Kunming-Montreal Global Biodiversity Framework](#)

<sup>5</sup> [IPCC Climate Change 2023 Synthesis Report](#)

<sup>6</sup> [Classifying drivers of global forest loss | Science](#)

## Overarching Restrictions

### Company Level Criteria

#### Prohibited

*We will not provide financing to clients directly involved in<sup>7</sup> any of the following:*

- *Deforestation or clearance within High Conservation Value Areas, UNESCO World Heritage Sites, International Union for Conservation of Nature IUCN (I – IV) Protected Sites, Ramsar Wetlands and Man & Biosphere Sites*
- *Removing or harming peatlands*
- *Illegal and/or uncontrolled use of fire for the purpose of land clearance*
- *Illegal logging or the purchase of illegally harvested timber*
- *Human rights abuses such as the use of forced labour, labour exploitation, child labour and land grabbing practices*

#### Expected

*We expect clients to:*

- *Aim for a target date of zero deforestation and conversion by 2030 at the latest, for both the activities which the client is directly involved in and their supply chains*
- *Consider the human rights related risks across their operations and supply chains, respect the rights of indigenous communities, and manage the health and safety and labour conditions of their workforce, as set out by the United Nations Guiding Principles on Business and Human Rights*
- *Apply governance policies that respect the right to Free, Prior and Informed Consent (FPIC)<sup>8</sup> of indigenous peoples where production processes are occurring on lands that indigenous peoples customarily own, occupy or otherwise use*

### Additional Agricultural Commodity Restrictions

Additional requirements relating to credible certification schemes or membership bodies are set out in the agricultural commodity sub-sections below. Where businesses are identified as non-compliant with the requirements outlined, the Group requires the *client* to have in place a plan to obtain relevant memberships and certifications for each commodity they are using in their commercial activities within two years from the point of agreeing to provide initial financing to the *client*.

<sup>7</sup> This does not include prior involvement in the listed activities where the client has since ceased the listed activities and taken action to remediate negative impacts and prevent future recurrence.

<sup>8</sup> Consultation and free, prior and informed consent (FPIC) | OHCHR

## Palm Oil

This sub-section outlines additional requirements and expectations for *clients* using palm oil in their commercial activities. Palm oil is a very important global commodity, being the most widely used vegetable oil in many consumer products; it is also used in animal feed and as a biofuel in many parts of the world<sup>9</sup>. Palm oil is the most efficient of all vegetable oils to produce, with crops able to produce more oil per land area than any other equivalent vegetable oil<sup>10</sup>. However, palm oil *production* can also damage forests and endanger communities and wildlife; its *production* has been associated with *deforestation*, biodiversity loss and human rights abuses.

### Company Level Criteria

#### Required

*We will only provide:*

- *Financing to clients* operating in, or directly sourcing from, *High Deforestation Risk Countries*, whose operations *directly involve* palm oil *production* (e.g. palm oil plantations), *primary processing* (e.g. palm oil mills or palm kernel crushing plants) or *trading*, if they are a member of the Roundtable on Sustainable Palm Oil (RSPO)<sup>11</sup> or have a plan in place to become a member within two years

#### Expected

*We expect:*

- *Clients* operating in, or directly sourcing from, *High Deforestation Risk Countries*, whose operations *directly involve* palm oil *production*, *primary processing* or *trading*, to:
  - Adopt No Deforestation, No Peat, No Exploitation (NDPE)<sup>12</sup> policies; and
  - Specify a *cut-off date* for no *deforestation* or *conversion*; in line with best practice<sup>13</sup>, this date is recommended to be set in the past
- *Clients* that are *manufacturers* and/or *retailers* of ingredients or products containing palm oil to:
  - Have a purchasing policy that ensures suppliers provide RSPO certified palm oil and palm oil-based products wherever possible
  - Conduct due diligence on their *supply chain* and ensure *traceability* for palm oil or palm oil-based products sourced from *High Deforestation Risk Countries*
  - Disclose their current sourcing practices and plans to increase sourcing of sustainably produced palm oil

<sup>9</sup> <https://www.wwf.org.uk/updates/8-things-know-about-palm-oil>

<sup>10</sup> [https://www.researchgate.net/figure/Oil-palm-production-efficiency-compared-to-other-major-oil-crops\\_fig3\\_318828933](https://www.researchgate.net/figure/Oil-palm-production-efficiency-compared-to-other-major-oil-crops_fig3_318828933)

<sup>11</sup> <https://rspo.org/>

<sup>12</sup> <https://www.ndpe-irf.net/>

<sup>13</sup> [AFI Operational Guidance - Cutoff Dates Sept 2023 .pdf](https://www.afi.org/Operational_Guidance_Cutoff_Dates_Sept_2023.pdf)

## Soy

This sub-section outlines additional requirements and expectations for *clients* using soy in their commercial activities.

Soy is a widely produced commodity globally that is consumed across the food chain. It is predominantly crushed into meal for use as animal feed, but also into oil used for cooking and biodiesel, or processed directly into human food products, such as tofu. Increased cropland for soy *production* – particularly in South America and the Amazon rainforest – has been linked to widespread *deforestation* and environmental degradation, as well as the displacement of small farmers and indigenous peoples<sup>14</sup>.

### Company Level Criteria

#### Required

*We will only provide:*

- *Financing to clients* operating in, or directly sourcing from, *High Deforestation Risk Countries*, whose operations *directly involve soy production* (e.g. soybean growing), *primary processing* (e.g. soybean crushing), or *trading*, if they are a member of the Roundtable on Responsible Soy (RTRS)<sup>15</sup> or another credible initiative<sup>16</sup> – or have a plan in place to become a member within two years

#### Expected

*We expect:*

- *Clients* operating in, or directly sourcing from, *High Deforestation Risk Countries*, whose operations *directly involve soy production, primary processing or trading*, to specify a *cut-off date* for no *deforestation or conversion*; in line with best practice<sup>17</sup>, this date is recommended to be set in the past
- *Clients* that are *manufacturers* and/or *retailers* of ingredients or products containing soy to:
  - Have a purchasing policy that ensures suppliers provide RTRS certified soy and soy-based products wherever possible
  - Conduct due diligence on their *supply chain* and ensure *traceability* for soy or soy-based products sourced from *High Deforestation Risk Countries*
  - Disclose their current sourcing practices and plans to increase sourcing of sustainably produced soy

<sup>14</sup> <https://www.worldwildlife.org/industries/soy>

<sup>15</sup> <https://responsiblesoy.org/?lang=en>

<sup>16</sup> In the event that an in-scope client is a member of, or has a plan in place to become a member of, an alternative certification scheme to RTRS, we will assess this on a case-by-case basis.

<sup>17</sup> [AFI Operational Guidance - Cutoff Dates Sept 2023.pdf](#)

## Cattle Products (Beef and Leather)

This sub-section outlines additional requirements and expectations for *clients* using cattle products (beef and/or leather) in their commercial activities.

Cattle ranching is the biggest driver of global *deforestation*<sup>18</sup>. This sector includes beef and leather *production*. It is estimated that more than 60% of *deforestation* in South America is associated with the cattle industry<sup>19</sup> and cattle ranching in Brazil historically accounts for nearly a quarter of global annual tropical *deforestation*<sup>20</sup>. Approximately 80% of *deforestation* throughout the Amazon stems from this industry<sup>21</sup>, either directly or indirectly.

### Company Level Criteria

#### Required

*We will only provide:*

- *Financing to clients* operating in, or directly sourcing from, *High Deforestation Risk Countries*, whose operations directly involve the *production*, *primary processing* or *trading* of cattle products (e.g. cattle ranching), *primary processing* (e.g. slaughtering or meatpacking) or *trading*, if they are a member of the Global Roundtable for Sustainable Beef (GRSB)<sup>22</sup> or another credible initiative – or have a plan in place to become a member within two years

#### Expected

*We expect:*

- *Clients* operating in, or directly sourcing from, *High Deforestation Risk Countries*, whose operations directly involve the *production*, *primary processing* or *trading* of cattle products, to specify a *cut-off date* for no *deforestation* or *conversion*; in line with best practice<sup>23</sup>, this date is recommended to be set in the past
- *Clients* that are *manufacturers* and/or *retailers* of beef and/or leather products to:
  - Conduct due diligence on their *supply chain* and ensure *traceability* for cattle products sourced from *High Deforestation Risk Countries*
  - Disclose their current sourcing practices and plans to increase sourcing of sustainably produced cattle products

<sup>18</sup> <https://www.worldwildlife.org/magazine/issues/summer-2018/articles/what-are-the-biggest-drivers-of-tropical-deforestation>

<sup>19</sup> [pdf.iop.org](https://pdf.iop.org)

<sup>20</sup> [Here's how tracing cattle in Brazil can reduce deforestation | World Economic Forum \(weforum.org\)](https://www.weforum.org)

<sup>21</sup> <https://www.worldwildlife.org/places/amazon>

<sup>22</sup> <https://grsbef.org/>

<sup>23</sup> [AFI Operational Guidance - Cutoff Dates Sept 2023 .pdf](https://grsbef.org/)

## Timber, Pulp and Paper

This sub-section outlines additional requirements and expectations for *clients* using timber and/or pulp and paper in their commercial activities.

The global demand for forest-derived products continues to grow<sup>24</sup>. Timber refers to wood and solid wood products (including timber for construction and fuelwood for bioenergy), as well as wood used in finished products (e.g. furniture). Wood pulp is a fibre extracted from wood and is mainly used to produce pulp and paper-based packaging materials.

Unless harvested from sustainably managed forests, the timber trade can contribute to forest degradation and can be the first stage of forest *conversion* to other land use. Where timber has been harvested from responsibly managed forests, timber products act as a carbon store, locking away carbon for the duration of that product's life, and the life of any recycled wood products made from the original product<sup>25</sup>.

### Company Level Criteria

#### Required

*We will only provide:*

- *Financing to clients* operating in, or sourcing directly from, *High Deforestation Risk Countries*, whose operations *directly involve* timber *production* (e.g. logging, including the management of forest plantations), *primary processing* (e.g. timber milling) or the trade of timber, pulp and paper products, if they comply with applicable industry standards. These include, but are not limited to, the Forest Stewardship Council (FSC)<sup>26</sup> certification and Programme for the Endorsement of Forest Certification (PEFC)<sup>27</sup>

#### Expected

*We expect:*

- *Clients* operating in, or directly sourcing from, *High Deforestation Risk Countries*, whose operations *directly involve* timber *production*, *primary processing* or the *trading* of timber, pulp and paper products, to specify a *cut-off date* for no *deforestation* or *conversion*; in line with best practice<sup>28</sup>, this date is recommended to be set in the past
- *Clients* that are *manufacturers* and/or *retailers* of timber and/or pulp and paper products, or who are using pulp and paper through packaging materials, to:
  - Have a purchasing policy that ensures suppliers provide FSC/PEFC certified products wherever possible
  - Conduct due diligence on their *supply chain* and ensure *traceability* for forest-derived products sourced from *High Deforestation Risk Countries*
  - Disclose their current sourcing practices and plans to increase sourcing of sustainably produced timber and/or pulp and paper

<sup>24</sup> [RiskierBusiness\\_July2020\\_V7\\_0.pdf \(wwf.org.uk\)](https://www.wwf.org.uk)

<sup>25</sup> <https://uk.fsc.org/impact/forests-and-climate-change>

<sup>26</sup> [Home | Forest Stewardship Council \(fsc.org\)](https://www.fsc.org)

<sup>27</sup> <https://www.pefc.co.uk>

<sup>28</sup> [AFI Operational Guidance - Cutoff Dates Sept 2023 .pdf](https://www.afi.org.uk)

## Cocoa

This sub-section outlines additional requirements and expectations for *clients* using cocoa in their commercial activities.

Cocoa is a vital agricultural commodity which supports the livelihoods of millions of farmers worldwide and is used to produce confectionary products such as cocoa powder and chocolate<sup>29</sup>. If grown sustainably, cocoa can contribute to biodiversity conservation, improve soil health and reduce carbon emissions, helping to mitigate climate change whilst supporting farmers' livelihoods. However, large-scale farming – particularly in West Africa, where 70% of cocoa is grown<sup>30, 31</sup> – has contributed to the clearing of tropical forests, exacerbating climate change and threatening ecosystems<sup>32</sup>. The *production* of cocoa can have harmful effects on surrounding wildlife and can pollute surrounding water courses, as well as being linked to human rights issues<sup>33</sup>. Additionally, unsustainable farming practices can lead to soil depletion and reduced yields, further pressuring farmers to expand into forested areas.

## Company Level Criteria

### Required

*We will only provide:*

- *Financing to clients* operating in, or sourcing directly from, *High Deforestation Risk Countries*, whose operations *directly involve* cocoa *production* (e.g. cocoa farming), *primary processing* (e.g. fermentation and drying facilities), or the *trade* of cocoa, if they have obtained certification from the Rainforest Alliance or another credible initiative – or have a plan in place to become certified within two years

### Expected

*We expect:*

- *Clients* operating in, or directly sourcing from, *High Deforestation Risk Countries*, whose operations *directly involve* cocoa *production*, *primary processing* or *trading*, to specify a *cut-off date* for no *deforestation* or *conversion*; in line with best practice<sup>34</sup>, this date is recommended to be set in the past
- *Clients* that are *manufacturers* and/or *retailers* of ingredients or products containing cocoa to:
  - Have a purchasing policy that ensures suppliers provide Rainforest Alliance certified products wherever possible
  - Conduct due diligence on their *supply chain* and ensure *traceability* for forest-derived products sourced from *High Deforestation Risk Countries*

<sup>29</sup> <https://www.worldwildlife.org/magazine/issues/spring-2017/articles/bittersweet-chocolate-s-impact-on-the-environment>

<sup>30</sup> <https://www.rainforest-alliance.org/cocoa/>

<sup>31</sup> [https://www.panda.org/discover/our\\_focus/forests\\_practice/cocoa/](https://www.panda.org/discover/our_focus/forests_practice/cocoa/)

<sup>32</sup> <https://www.sciencedirect.com/science/article/pii/S2666765723001394>

<sup>33</sup> <https://international.nwf.org/cocoa-and-deforestation/>

<sup>34</sup> [AFi Operational Guidance - Cutoff Dates Sept 2023 .pdf](#)

## Coffee

This sub-section outlines additional requirements and expectations for *clients* using coffee in their commercial activities.

Primarily used in beverages, coffee *production* supports the livelihoods of millions of smallholder farmers and is one of the most traded agricultural commodities. However, coffee *production* is increasingly vulnerable to the impacts of climate change and in countries across the 'Coffee Belt' – such as Colombia, Mexico, Brazil, Ethiopia, and Vietnam – farmers are increasingly struggling to grow coffee in traditional areas due to rising temperatures, shifting rainfall patterns and the spread of pests and diseases<sup>35</sup>. The loss of viable farmland is pushing cultivation into higher elevations, which are often forested and ecologically sensitive. In addition to contributing to *deforestation* and land *conversion*, instances of forced labour can still be found in coffee cultivation in producing countries<sup>36</sup>.

### Company Level Criteria

#### Required

*We will only provide:*

- *Financing to clients* operating in, or sourcing directly from, *High Deforestation Risk Countries*, whose operations directly involve coffee *production* (e.g. coffee plantations), *primary processing* (e.g. coffee milling or washing stations) or the trade of coffee, if they have obtained certification from the Rainforest Alliance or another credible initiative – or have a plan in place to become certified within two years

#### Expected

*We expect:*

- *Clients* operating in, or directly sourcing from, *High Deforestation Risk Countries*, whose operations directly involve coffee *production*, *primary processing* or *trading*, to specify a *cut-off date* for no *deforestation* or *conversion*; in line with best practice<sup>37</sup>, this date is recommended to be set in the past
- *Clients* that are *manufacturers* or *retailers* of ingredients or products containing cocoa to:
  - Have a purchasing policy that ensures suppliers provide certified products wherever possible
  - Conduct due diligence on their *supply chain* and ensure *traceability* for forest-derived products sourced from *High Deforestation Risk Countries*
  - Disclose their current sourcing practices and plans to increase sourcing of sustainably produced coffee

<sup>35</sup> [Addressing the climate threat to the world's coffee](#)

<sup>36</sup> [How We're Addressing Forced Labor in the Coffee Industry | Rainforest Alliance](#)

<sup>37</sup> [AFi Operational Guidance - Cutoff Dates Sept 2023 .pdf](#)

## Rubber

This sub-section outlines additional requirements and expectations for *clients* using rubber in their commercial activities.

Rubber is a globally traded commodity and a key material for automotive, textile, footwear, pharmaceutical and medical industries<sup>38</sup>. This commodity is used in a wide range of products, such as tyres, footwear, medical and electrical equipment, with approximately 70% of natural rubber used in tyre *manufacturing*<sup>39</sup>. Around 90% of the world's natural rubber is produced in Southeast Asia – particularly in countries such as Thailand, Indonesia, Vietnam and Malaysia – where climatic conditions and soils are optimal for rubber tree cultivation<sup>40</sup>.

However, the expansion of rubber plantations in these regions has been linked to *deforestation*, biodiversity loss and human rights issues. Forests cleared for rubber cultivation are often home to endangered species, such as elephants and tigers, and are among the most threatened ecosystems globally. If sourced from uncertified or poorly managed operations, rubber *production* can contribute to illegal land *conversion*, labour rights violations and the displacement of local communities<sup>41</sup>. Conversely, when grown sustainably, natural rubber can support biodiversity, enhance carbon sequestration and provide stable livelihoods for smallholder farmers<sup>42</sup>.

## Company Level Criteria

### Required

*We will only provide:*

- *Financing to clients* operating in, or sourcing directly from, *High Deforestation Risk Countries*, whose operations directly involve natural rubber *production* (e.g. rubber plantations), *primary processing* (e.g. sheet drying facilities) or the trade of natural rubber, if they comply with applicable industry standards. These include, but are not limited to, the Forest Stewardship Council (FSC)<sup>43</sup> certification and Programme for the Endorsement of Forest Certification (PEFC)<sup>44</sup>

### Expected

*We expect:*

- *Clients* operating in, or directly sourcing from, *High Deforestation Risk Countries*, whose *operations* directly involve rubber *production*, *primary processing* or *trading*, to specify a *cut-off date* for no *deforestation* and *conversion*; in line with best practice<sup>45</sup>, this date is recommended to be set in the past
- *Clients* that are *manufacturers* or *retailers* of products containing rubber to:
  - Have a purchasing policy that ensures suppliers provide FSC or PEFC certified products wherever possible
  - Conduct due diligence on their *supply chain* and ensure *traceability* for forest-derived products sourced from *High Deforestation Risk Countries*
  - Disclose their current sourcing practices and plans to increase sourcing of sustainably produced rubberwood

<sup>38</sup> [Environmental impacts associated with the life cycle of natural rubbers: A review and scientometric analysis - ScienceDirect](https://www.sciencedirect.com/science/article/pii/S0960808518303007)

<sup>39</sup> <https://rubber.pefc.org/pefc-is-here>

<sup>40</sup> <https://www.nature.com/articles/s41586-023-06642-z>

<sup>41</sup> [Natural Rubber | Forest Stewardship Council](https://www.naturalrubber.org/)

<sup>42</sup> <https://www.worldwildlife.org/projects/transforming-the-global-rubber-market>

<sup>43</sup> [Home | Forest Stewardship Council \(fsc.org\)](https://www.fsc.org/)

<sup>44</sup> <https://www.pefc.co.uk/>

<sup>45</sup> [AFI Operational Guidance - Cutoff Dates Sept 2023 .pdf](https://www.afi.org.uk/AFI_Operational_Guidance_-_Cutoff_Dates_Sept_2023.pdf)

# Glossary

Terms	Definition
<b>Client(s)</b>	In the Forestry & Agricultural Commodities sector statement, including sub-sections on specific commodities, 'client(s)' refers to businesses with an annual turnover of > £100m and does not include individuals.
<b>Conversion</b>	In line with the <a href="#">Accountability Framework initiative definition</a> , 'Conversion' refers to the change of a natural ecosystem to another land use or profound change in the natural ecosystem's species composition structure or function.
<b>Cut-off date</b>	In line with the <a href="#">Accountability Framework initiative definition</a> , this is the date after which deforestation or conversion renders a given area or production unit non-compliant with no-deforestation or no-conversion commitments, policies, goals, targets or other obligations.
<b>Deforestation</b>	In line with the <a href="#">Accountability Framework initiative definition</a> , 'deforestation' refers to the loss of natural forest as a result of: 1. conversion to agriculture or other non-forest land use; 2. conversion to a plantation; or 3. severe or sustained degradation.
<b>Directly involved in/ directly involve</b>	This refers to all activities and sites over which the client has operational or financial control.
<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>High Conservation Value (HCV) Areas</b>	Areas identified as containing High Conservation Values. These are biological, ecological, social or cultural values considered to be of outstanding significance or critical importance that require special protection to ensure their continued maintenance and/or enhancement.
	The six High Conservation Values are:
	<ol style="list-style-type: none"> <li>I. Species diversity</li> <li>II. Landscape-level ecosystems and mosaics</li> <li>III. Ecosystems and habitats</li> <li>IV. Ecosystem services</li> <li>V. Community needs</li> <li>VI. Cultural values</li> </ol>
	Source: <a href="#">HCV Resource Network</a>
<b>High Deforestation Risk Countries</b>	High Deforestation Risk Countries have been selected on the basis of Forest 500's producer country list: <a href="https://forest500.org/sites/default/files/forest_500_country_selection_methodology_2022.pdf">https://forest500.org/sites/default/files/forest_500_country_selection_methodology_2022.pdf</a>
<b>International Union for Conservation of Nature IUCN (I – IV) Protected Sites</b>	The International Union for Conservation of Nature has developed a system of categorising protected areas according to the underlying management objectives. These categories are formally recognised by many national governments and international bodies, including the United Nations, and have become an important global standard for the planning, establishment and management of protected areas.
	The categories are as follows:
	<ol style="list-style-type: none"> <li>Ia. Strict Nature Reserve</li> <li>Ib. Wilderness Area</li> <li>II. National Park</li> <li>III. Natural Monument or Feature</li> <li>IV. Habitat/Species Management Area</li> </ol>
	Source: <a href="#">IUCN Protected Area Management Categories definition   Biodiversity A-Z</a>
<b>Man &amp; Biosphere Sites</b>	Man & Biosphere sites refer to a set of UNESCO biosphere reserves designated under the <a href="#">Man and Biosphere Programme (MAB)</a> .
<b>Manufacturer</b>	In line with the Accountability Framework initiative definition, this refers to a business that manufactures consumer products from raw or processed agricultural or forestry materials.
<b>Primary Processing</b>	In line with the Accountability Framework initiative definition, this refers to the first stage of processing after an agricultural or forestry raw material is harvested. This process is undertaken by a business corporative or other entity, such as palm oil mills, slaughterhouses, oilseed aggregation and crushing sites, coffee wet milling facilities, and sawmills processing logs into lumber.
<b>Production</b>	In line with the Accountability Framework initiative definition, this refers to the owner or manager of a production unit. This includes smallholders and other individual owners/managers, corporate entities and communities that own or manage production systems.

Terms	Definition
<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>Retailers</b>	In line with the Accountability Framework initiative definition, this refers to a company that sells products directly to individual consumers. This includes supermarkets, convenience stores, lumber and home improvement stores, home furnishings stores, online retailers, restaurant chains and the like.
<b>Supply chain</b>	The entire network of entities and processes involved in the production, processing, trading, manufacturing or retail of agricultural forest risk commodities. A client's supply chain includes both their direct suppliers – those directly supplying them with raw materials, processed materials or finished products – and indirect suppliers, those selling to an intermediary that is one or more steps removed from the client.
<b>Target date</b>	In line with the Accountability Framework initiative definition, this is the date by which a given company intends to have fully implemented its commitment or policy.
<b>Traceability</b>	In line with the Accountability Framework initiative definition, this refers to the ability to follow a product or its components through stages of the supply chain (e.g., production, processing, manufacturing, and distribution).
<b>Trader</b>	In line with the Accountability Framework initiative definition, this refers to a business that purchases and sells raw or primary processed agricultural or forestry materials. Traders commonly also provide transport services for these goods. Trading companies may also engage in primary or secondary processing.
<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.*

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