Sustainable and Transition Financing Framework

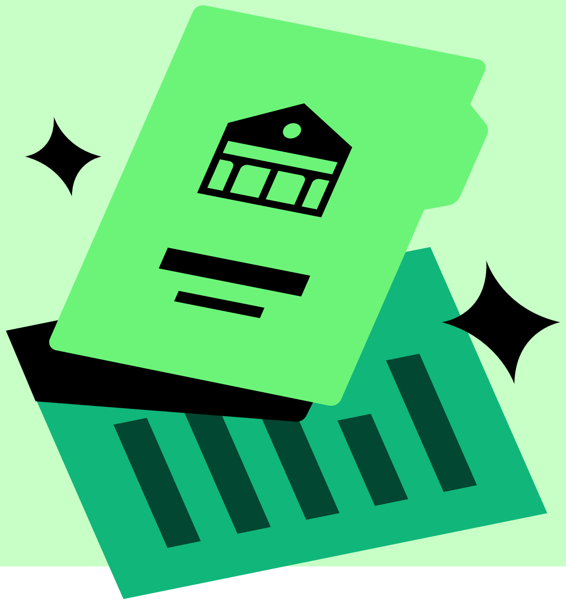
LLOYDS
BANKING GROUP

As the UK's largest retail and commercial financial services provider, our purpose is Helping Britain Prosper.

More on our purpose

Welcome

This document sets out Lloyds Banking Group's Sustainable and Transition Financing Framework (the "Framework").



Contents

1. About this Framework

Lloyds Banking Group (the "Group") is committed to supporting the UK's transition to a low carbon economy. As a diversified financial services group, it is positioned to respond to the growth opportunities this transition presents, supporting clients to adapt, evolve and/or invest, strengthening their operational resilience and/or capturing commercial opportunities arising from the transition.

For further information on the Group's sustainability ambitions, targets and progress see:

→ **Sustainability – Lloyds Banking Group plc**

1.1 Purpose

This document sets out Lloyds Banking Group's Sustainable and Transition Financing Framework (the "Framework").

This Framework has been designed as a methodology for classifying whether certain financing offered by the Group may be described either as "sustainable" or as "transition" for the purpose of assessing the amount of sustainable finance and transition finance which the Group has provided to clients, and reporting performance against the Group's sustainable and transition finance targets. It also provides a consistent foundation for aligning the Group's financing, advisory and product offering to support clients' transition activity, in turn, supporting the scaling of commercial solutions that enable clients to progress their transition.

The Group remains committed to supporting clients and the wider economy through the transition, having set targets to decarbonise its financing. The Group's Sustainability Report will outline the Group's sustainable and transition finance targets and progress, including the role of sustainable and transition finance in supporting clients' financing needs as they grow their operations, invest in new technologies and evolve their business models in line with a lower carbon economy.

The Group first published its Sustainable Financing Framework in 2023 to support delivery of the Group's sustainability ambitions. The Group continues to evolve the Framework and seeks to deliver value for shareholders by supporting clients to build resilience, maintain competitiveness and/or capture growth opportunities in areas aligned to the Group's strategic priorities and market strengths, enabling the generation of purposeful growth.

This updated Framework, published in July 2026, supersedes the Group's previous Sustainable Financing Frameworks with effect from 1 January 2027. The most material change is the introduction of transition finance criteria, distinct from, and in addition to, green, social, sustainability-linked and sustainable business financing criteria. The Group reviews the Framework at least annually.

Our Framework

The types of finance to which this Framework applies are split into the following four categories:

- **Use of Proceeds**
- **Sustainability-linked**
- **Sustainable Business**
- **Transitioning Entity**

For more detail see Section 9 Framework reviews

1.2 Introducing Transition Finance

Although there is no consistent definition of transition finance used in global finance markets, the Group considers transition finance to encompass financing and facilitation that directs capital to companies in hard-to-abate sectors and/or with high-emitting activities that have demonstrable plans to decarbonise. The Group considers that the purpose of transition finance is to accelerate real economy emissions reduction, help clients manage transition risks, maintain competitiveness, capture opportunities in emerging low carbon markets, and strengthen transparency and accountability to reduce greenwashing risk and support market integrity.

The Framework introduces Eligible Transition Activities to the Eligibility Criteria for Use of Proceeds financing. Eligible Transition Activities sets out the range of activities that - while not classed as sustainable under the Framework - are supported by government policy and science-aligned pathways for the transition to net zero by 2050. The Framework also describes the role that the Group seeks to play through Transitioning Entity Financing to enable clients to support the transition towards a low carbon economy. The Group recognises that the concept of transition finance will continue to evolve as expectations, standards and guidelines develop.

By integrating transition considerations into its strategy, governance and capital allocation, the Group seeks to strengthen the resilience of its portfolios and operations, support the resilience and competitiveness of its clients, and prioritise opportunities that contribute to

About this Framework continued

long-term purposeful growth, enhancing value creation for shareholders.

Supporting clients in their transition to a low carbon economy is central to the Group's strategy[1], including through the development and use of tools such as this Framework to guide financing towards activities that enable clients to adapt, invest and grow. The transition to a low carbon economy requires shifting to a climate resilient, nature positive economy aligned with the Paris Agreement. The Group recognises that environmental ambition must be balanced with social responsibility, particularly where actions may affect specific or vulnerable groups. A just transition ensures decarbonisation does not place undue burdens on workers, communities or supply chain actors, and that benefits are accessible and inclusive.

1.3 Design, operation and independent review

The Group has developed the Framework with reference to a range of industry standards, market principles and good practice.

For more detail see Section 2.1 Design approach

The Group has an assessment, approval and reporting process in place that sets out the controls the Group has implemented to ensure adherence to the Framework for each category of financing under the Framework.

For more detail see:

Section 3 – Use of Proceeds Financing assessment process

Section 4 – Sustainability-linked Financing assessment process

Section 5 – Sustainable Business Financing assessment process

Section 6 – Transitioning Entity Financing assessment process

The Group's processes for Transitioning Entity Financing will evolve to reflect the changing external landscape and needs of the Group's clients.

The Framework does not prevent the Group offering financing that falls outside the types of financing being classified under the Framework. The Framework would not apply to such financing, and such financing would not count towards the Group's sustainable and transition finance targets.

The Group has appointed DNV to provide an independent Second-Party Opinion (SPO) on the Framework's alignment to the Loan Market Association's (LMA) Green Loan Principles 2025, Social Loan Principles 2025, Sustainability-Linked Loan Principles 2025, Guide to Transition Loans 2025, and Transition Loan Principles 2025, as well as the International Capital Market Association's (ICMA) Green Bond Principles 2025, Social Bond Principles 2025, Sustainability Bond Guidelines 2021, Sustainability-Linked Bond Principles 2024, Climate Transition Finance Handbook 2025, and Transition Bond Guidelines 2025.

For the full scope and limitations of DNV's SPO, a copy of the SPO can be found here:

→ ESG policies – Lloyds Banking Group plc

1.4 Scope

Qualifying categories of finance to which this Framework applies include lending and third party bond issuances arranged by the Group, which fall into one of the following categories: Use of Proceeds, Sustainability-linked, Sustainable Business Financing, and Transition Entity Financing, as described in **Section 2 Approach to qualifying finance under the Framework** and **Section 8 Product scope and reporting basis**. Financing associated with the Group's Corporate and Institutional Banking (CIB), Business and Commercial Banking (BCB) and Consumer Lending[2] (Consumer) business units is in scope.

The Framework sits alongside the Group's Sustainable Bond Framework (SBF). Debt issuance by, or sponsored by, the Group, including all issuing entities with debt issuance by, or sponsored by, the Group, including all issuing entities with debt issuance programmes, are not within the scope of this Framework. Instead, they are detailed in the **Group's Sustainable Bond Framework**, found on the Group's website **Sustainable Bond Framework**.

The Group's legal entities in scope for this Framework are listed along with the eligible products specified in **Section 8 Product scope and reporting basis**.

For more detail see Section 8 Product scope and reporting basis

1 The Group's strategy can be found within its annual report: Annual report 2025 - Lloyds Banking Group plc

2 Consumer Lending comprises mortgages, credit cards, personal loans and motor finance. The Framework currently applies to mortgages and motor finance.

2. Approach to qualifying finance under the Framework

2.1 Design approach

The Framework has been developed with reference to a range of sources. These include, but are not limited to:

Climate Bonds Initiative (CBI)
- Climate Bonds Taxonomy

EU Taxonomy for Sustainable Activities
- Green Home Finance Principles

International Capital Markets Association (ICMA)
- Green Bond Principles (GBP)
- Climate Transition Finance Handbook (CTFH)
- Climate Transition Bond Guidelines (CTBG)
- Social Bond Principles (SBP)
- Sustainability Bond Guidelines (SBG)
- Sustainability-Linked Bond Principles (SLBP)

Loan Markets Association (LMA)
- Green Loan Principles (GLP)
- Guide to Transition Loans
- Transition Loan Principles (TLP) (currently exposure draft within LMA's Guide to Transition Loans)
- Social Loan Principles (SLP)
- Sustainability-Linked Loan Principles (SLLP)

Transition Finance Council
- Transition Finance Guidelines: Exposure draft (TFG)

UN Sustainable Development Goals (SDGs)

The United Nations (UN) Sustainable Development Goals (SDGs) have been mapped to sub-themes within the tables set out in **Section 3.1 Use of Proceeds** to show how the primary SDGs align to each sub-theme.

Figure 1: The Framework distinguishes between sustainable finance and transition finance

	Sustainable Finance			Transition Finance	
	Green	Social		Transition	
Categories	Use of Proceeds	Sustainable Business Financing	Sustainability-linked	Use of Proceeds	Transitioning Entity Financing
Criteria	Green Eligible Activities & Social Eligible Activities	Selection of KPIs & calibration of targets		Transition Eligible Activities	Transition Plan Assessment

The below products are covered under the framework:

Consumer Lending

Bond Underwriting including Private Placement Underwriting

Corporate Lending including:
Term Loans, Revolving Credit Facilities, Overdrafts, Invoice Financing/Factoring, Asset Finance, Project Finance, Structured Finance, Trade Finance and Committed Contingent Liabilities

Approach to qualifying finance under the Framework continued

2.2 Criteria for qualifying financing

Financing may be considered sustainable (products with a green and/or social activity focus) or transition under the methodology set out in this Framework where it complies with each of the following criteria, as well as the Group's established credit processes:

- In alignment with the **Group's External Sector Statements**
- Described within the qualifying categories of Sustainable and Transition Financing, as set out in this Section 2
- Assessed and approved in accordance with the assessment and approval process for the relevant type of financing, as set out in Sections 3, 4, 5, and 6 of the Framework, and meets the criteria therein
- In the case of Use of Proceeds financing and Sustainable Business Financing, meets the Eligibility Criteria set out in Section 3 of the Framework, including that it does not fall within the relevant exclusions that relate to the relevant Eligible Activity as set out in Section 3

Qualifying categories of financing to which this Framework applies are outlined below:

- **Use of Proceeds (UoP):** Finance and/or refinance provided exclusively for Eligible Green Activities, Eligible Transition Activities, or Eligible Social Activities;
- **Sustainability-linked:** General purpose finance that incentivises improved sustainability performance;
- **Sustainable Business Financing:** Finance and/or refinance provided to a business which has 90 per cent or more of its revenues generated from Eligible Green Activities, and/or Eligible Social Activities;
- **Transitioning Entity Financing:** General purpose finance provided to a client that has a transition plan to achieve net zero emissions by 2050, where the transition plan aligns with the Transition Finance Council's Transition Finance Guidelines.

The details for each financial product category can be found in **Section 8 Product scope and reporting basis** and include lending arranged, and third-party bond issuances facilitated by the Group[3].

Section 11 – Glossary of terms

As with all entities and customers that have a direct lending relationship with the Group, general exclusions apply to the application of this Framework. These are detailed in the Group's External Sector Statements, found on the Group's website: **ESG policies and downloads.**

2.3 Process for classifying the category of finance

Sections 3, 4, 5, and 6 document the process by which the Group determines whether financing can be considered as sustainable or transition for the purposes of tracking and reporting against its sustainable and transition finance targets. Each section details the distinct process for the four qualifying categories of financing, with reference to relevant industry good practice principles.

The Group may decide to use an external provider to support its assessment process on a case-by-case basis when deemed appropriate, or when stated as a requirement of financing.

The decision tree **(Figure 2)** sets out part of the Group's methodology for classifying financing as sustainable or transition. It forms part of the Group's process for assessment and approval.

3 The full definitions of these categories are provided in **Section 11 Glossary of terms**.

2.0 Approach to qualifying finance under the Framework continued

A financing transaction may fall into more than one qualifying category of financing under the Framework. In this instance, the Group will, based on the most appropriate classification, classify and report the relevant financing transaction once to avoid double counting.

Figure 2: The Group's decision tree for classifying financing as sustainable or transition

Is the transaction Use of Proceeds or General Purpose Financing?

Classification key:
- Sustainable
- Transition
- N/A

Use of Proceeds

Does the activity align with the Green and/or Social Eligibility Criteria (noting the exclusions) as set out in this Framework?
- YES → Use of Proceeds (Sustainable)
- NO → Does the activity align with the Transition Eligibility Criteria (noting the exclusions) as set out in this Framework?
  - YES → Can the client evidence an entity-level transition strategy (with proportionate requirements for SMEs)?
    - YES → Use of Proceeds (Transition)
    - NO → Transaction not labelled as sustainable or transition
  - NO → Transaction not labelled as sustainable or transition

General Purpose financing

Is the financing of the client tied to the achievement of sustainability or transition-aligned performance target(s)?
- YES → Does the financing activity align with LMA SLLP or ICMA SLBP?
  - YES → Sustainability-linked
  - NO → Does the client align with Transition Finance Council's Guidelines (with proportionate requirements for SMEs)?
    - YES → Transition Entity Financing
    - NO → Transaction not labelled as sustainable or transition
- NO → Does the client derive >90 per cent of its revenues from the Green and/or Social Eligibility Criteria (noting the exclusions) as set out in this Framework?
  - YES → Sustainable Business Finance
  - NO → Does the client align with Transition Finance Council's Guidelines (with proportionate requirements for SMEs)?

3.

Use of Proceeds financing assessment process

Use of Proceeds transactions are assessed against the Use of Proceeds Eligibility Criteria (Section 3.2) and against the relevant overarching principles of the LMA or ICMA considering, for example, the client's strategy and its alignment with science-based pathways.

The LMA's GLP, TLP and SLP, as well as the ICMA's GBP, SBP and SBG, require that the following four core components shall be present in a Use of Proceeds green, transition or social financing instrument:

1) Use of Proceeds
2) Process for project evaluation and selection
3) Management of proceeds
4) Reporting

In addition to the four components above, the LMA's TLP requires a fifth core component for Use of Proceeds transition loans:

5) Entity-level transition strategy

3.1 Use of Proceeds

Use of Proceeds financing is eligible for classification as sustainable or transition if:

- Proceeds are used exclusively[4] to finance and/or refinance Eligible Activities which meet the relevant Eligibility Criteria as set out in this Framework; or
- For bonds, such financing comprises labelled green, transition, social or sustainability activities that may not align with the Eligibility Criteria, but where they have been reviewed and approved internally on a case-by-case basis against other relevant taxonomies or industry principles e.g., ICMA. This assessment happens ahead of the bond issuance as part of the Group's enhanced sustainability bond underwriting approval process. In respect of third-party sustainable or transition bond financing facilitated by the Group for our clients, provision of an SPO is recommended; or
- For loans, such financing comprises labelled green, transition, social or sustainability activities that may not fully align with the Eligibility Criteria, but where the Use of Proceeds financing is covered by a client's sustainable and/or transition financing framework and Second Party Opinion supporting alignment with relevant taxonomies and industry principles e.g., LMA. If a client's framework is materially different to the Group's Framework, the Sustainability Asset Eligibility Forum will review and consider on a case-by-case basis. This assessment is carried out as part of the loan review.

For the purpose of Use of Proceeds financing under this Framework, CTBG, GBP, GLP, SBG, SBP, SLP and TLP will be used as guidance where appropriate when assessing whether an activity is an Eligible Activity which meets the relevant Eligibility Criteria. For Consumer Lending for residential buildings, the Group also looks to the Green Finance Institute's Green Home Finance Principles as guidance.

4 Subject to sub-account or tracked funds provisions set out in management of proceeds

Bond process

Facilitating Use of Proceeds bonds

Where the Group facilitates (has an active or passive role on) a client's Use of Proceeds bond or private placement, the client's associated sustainable finance (or bond) framework and Second Party Opinion are reviewed against the GBP, SBP, SBG, or CTBG, as relevant to the label on the bond. This is completed as part of the Group's bond underwriting approval process.

Use of Proceeds financing assessment process continued

For all Use of Proceeds financing, the specific use of the proceeds will be clearly documented in the following: an agreement, a side letter which forms part of a facility agreement, or the client's sustainable finance framework that has external verification e.g., Second Party Opinion.

The Eligible Activities listed in the Use of Proceeds Eligibility Criteria are not exhaustive and are expected to evolve over time. Proposed additional activities that are subsequently added in future iterations of this Framework will be subject to stringent due diligence to ensure consistency. The Eligibility Criteria will be reviewed on at least an annual basis.

It is understood that certain Eligible Green Activities may also have social co-benefits, and that the classification of Use of Proceeds loan as a "Green loan" should be determined by the Group based on the primary objective of the underlying projects. A Use of Proceeds loan that intentionally includes reference to Eligible Green Activities and Eligible Social Activities can be referred to as a "Sustainability Loan".

Green and Transition themes:

- Energy generation, transmission, distribution and storage
- Pollution, prevention and control
- Energy efficiency
- Built environment
- Clean transportation
- Sustainable water and wastewater management
- Climate change adaptation
- Environmentally sustainable management of living natural resources and land use
- Terrestrial and aquatic biodiversity conservation

Social themes:

- Affordable housing
- Affordable basic infrastructure
- Access to essential services
- Food security and sustainable food systems
- Employment generation
- Socioeconomic advancement and empowerment
- Financing charities and non-profit institutions

Key:

- Green
- Transition

3.2 Eligibility Criteria

3.2.1 Green and Transition

Eligible Green Activities under this Framework are those that contribute to providing clear environmental benefits and/or positive outcomes. Activities are broadly grouped into the LMA's Green Loan Principles' eligible Green Projects categories[5].

Eligible Green Activities may also provide co-benefits to nature where they directly support targets from the Global Biodiversity Framework and/or the UK National Biodiversity Strategy and Action Plan. Such activities have been labelled with in the Use of Proceeds Eligible Activities.

Eligible Transition Activities under this Framework are those that contribute meaningfully to climate change mitigation and support the client's overarching transition strategy, as described in the LMA's TLP.

"Unlike green loans, which fund activities that are already low-carbon or environmentally beneficial, transition loans support the necessary, and often complex, investments that enable a shift from a high-emissions baseline toward longer-term net-zero compatibility. This may include CapEx, R&D, early decommissioning or replacement of high emission assets or activities, and other activities critical to enabling more sustainable business models." (LMA, Guide to Transition Loans (2025), p10.

The tables below set out the Group's criteria for classifying an activity as green or transition. The table groups activities into themes and sub-themes and sets out which activities are classified as green, and which are classified as transition, as well as, in each case, relevant exclusions for eligibility, and the primary SDGs aligned with each sub-theme.

Eligibility criteria should be read in conjunction with both the specific exclusions described for the relevant activity, and the Group's External Sector Statements. **See Section 2.2 Criteria for qualifying financing**. The exclusions are non-exhaustive and the Group has a right to apply additional exclusions based on evolution of risk appetite and consideration, strategic alignment or changes in legal frameworks.

5 LMA, March 2025. Green Loan Principles.

Use of Proceeds financing assessment process continued

Key: Nature co-benefits

Energy generation, transmission, distribution and storage

Sub-theme:	Eligible activities	Exclusions for eligibility
Electricity generation **SDG 7:** Affordable & clean energy **SDG 9:** Industry innovation and infrastructure **SDG 13:** Climate action	**Green** Development, manufacture and upgrade of renewable energy technologies, including equipment for renewable energy generation and installation infrastructure e.g., port upgrades, and energy efficiency: • Wind power (onshore and offshore) • Solar photovoltaic (PV) (fixed and floating) • Concentrated solar heat & power generation (CSP), and other solar thermal energy where no more than 15 per cent of electricity generated from the facility is generated from non-renewable sources • Geothermal where lifecycle GHG emissions from the generation of electricity are lower than 100gCO_2e/kWh • Ocean energy (wave and tidal) • Power from biomass certified as being from sustainable sources[6]. For those biomass facilities with >1MW capacity, lifecycle GHG emissions should be at least 80 per cent lower for electricity generation when compared to a fossil fuel baseline • Hydropower/hydroelectric generation that complies with: – Operation before 2020: 1) Power density of the electricity generation facility is above 5 W/m^2; or 2) Life cycle GHG emissions from the generation of electricity from hydropower is less than 100 gCO_2e/kWh – Operation on or after 2020: 1) Power density of the electricity generation facility is above 10 W/m^2; or 2) Life cycle GHG emissions from the generation of electricity from hydropower is less than 50 gCO_2e/kWh – Any generation from an artificial reservoir would be subject to the Group's criteria for hydrogeneration • Combined (Cooling) Heat and Power Plants (C(C)HP) (cogeneration) where the electricity generator and heat recovery and usage equipment is powered primarily by renewables and/or waste heat • Development of district heating or cooling infrastructure where it's connected to a power generation plant primarily powered by renewables and/or waste heat	**Exclusions for green** • Biomass or biogas from peat and non-sustainably produced crops or feedstocks (e.g., woodchips from unsustainably managed forests) • In dedicated bio-waste treatment plants, the share of food and feed crops cannot be more than 10 per cent of the input feedstock measured in weight, as an annual average • New biomass electricity generation with a total rated thermal input exceeding 20MW that aren't designed for at least 90 per cent carbon capture rates • Hydropower with installed capacity greater than 25MW, unless approved by the Group following enhanced environmental and social risk assessment and due diligence • Projects with waste heat from fossil fuel production and operations • Investment into fossil fuel powered plants
	Transition • Peaking power plants[7] approved by the system operator to balance electricity supply and demand in renewables intensive grids. The plant may initially be powered by natural gas but designed to operate on low carbon fuels (as defined in Green eligibility of Manufacture of biogas, biofuels, hydrogen and other low carbon gases)	**Exclusions for transition** • Coal, oil and diesel facilities • Where monitoring, reporting and verification measures are not present for minimisation of methane leakage on site

6 For example, Forest Stewardship Council, International Sustainability and Carbon Certification, Roundtable on Sustainable Palm Oil, Sustainable Biomass Programme, Programme for the Endorsement of Forest Certification. The Group may consider additional certification schemes so long as such schemes are considered to be equivalent to internationally recognised certification schemes. For micro-generation or smaller landowner clients who are unable to attain certification, the Group may also consider bespoke data to show 100 per cent of woody biomass feedstocks are sustainable

7 Gas peaking plants are electricity-generating facilities designed to operate intermittently and for limited annual hours (less than 2,000 hours per year) to support system reliability, particularly during periods of high demand or low renewable output. They are defined by operational role rather than installed capacity, and are regulated primarily through environmental permitting thresholds rather than a formal MW definition

Use of Proceeds financing assessment process continued

Key: Nature co-benefits

Energy generation, transmission, distribution and storage continued

Sub-theme:	Eligible activities	Exclusions for eligibility
Nuclear energy generation SDG 7: Affordable & clean energy	**Green** Nuclear energy generation activities including: • Construction and safe operation of new nuclear energy, including electricity generation and associated facilities such as transmission infrastructure, industrial heat or co-generation • Acquisition, refurbishment and life extension of existing nuclear and associated facilities, while maintaining or improving energy efficiency and operational safety • Development and deployment of advanced nuclear technologies, including Small Modular Reactors (SMRs) Activities must comply with: • International Atomic Energy Agency (IAEA) guidance and standards • Mandatory requirements of the host country's jurisdiction – For example, for activities in England and Wales, this includes the National Policy Statement for Nuclear Energy Generation (EN-7), including social and environmental impact assessments[8], and any other relevant UK legislation	**Exclusions for green** • Projects that fail the relevant waste management, safety and environmental impact requirements of the host country • Life-cycle greenhouse gas emissions intensity from electricity generation greater than $100gCO_2e/kWh$[9]
Manufacture of biogas, biofuels, hydrogen and other low carbon gases SDG 7: Affordable & clean energy	**Green** • Production of bioenergy (biogas and biofuels) certified as being from sustainable sources[10] – Lifecycle GHG emissions should be at least 65 per cent[11] lower for the production of biofuels and biogas when compared to a fossil-fuel baseline[12] • Production, transport and storage of hydrogen and its derivatives manufactured using electrolysis or nuclear energy, with an emissions intensity of no more than $20gCO_2e/MJLHV$ of produced hydrogen up to the point of production in line with the UK Low Carbon Hydrogen Standard • Production of sustainable transport fuel e.g., Sustainable Aviation Fuel (SAF) or shipping fuel, where this meets national or international input standards e.g., EU Taxonomy, UK SAF Mandate or international standards, as appropriate • Infrastructure for bioenergy sources, including the refining of eligible biofuels, transportation and pipelines	**Exclusions for green** • Any manufacturing associated with fossil fuel gases • Biomass or biogas from peat and non-sustainably produced crops or feedstocks (e.g., woodchips from unsustainably managed forests) • In dedicated bio-waste treatment plants, the share of food and feed crops cannot be more than 10 per cent of the input feedstock measured in weight, as an annual average • Food and feed crops are not to be used for the manufacture of biofuels, for use in transport nor for the manufacture of bioliquids • Biofuel blending facilities that handle fossil fuels
	Transition • Production, transport and storage of natural gas-based hydrogen with carbon capture, provided the facility has a UK Government Low Carbon Hydrogen Agreement, or similar government support if elsewhere • Retrofitting existing natural gas-based hydrogen production facilities with carbon capture, subject to government support for access to permanent geological carbon storage This transition eligibility has a sunset date of 2035.	**Exclusions for transition** • Facilities not designed for at least 90 per cent carbon capture rates • Where monitoring, reporting and verification measures are not present for minimisation of methane leakage on site

8 Department for Energy Security & Net Zero National Policy Statement for Nuclear Energy Generation, EN-7.
9 Life-cycle emissions include full value chain emissions over the whole life from sources including but not limited to: Uranium mining and processing; construction, operation and decommissioning of plants; waste management; fuel transport and enrichment.
10 Forest Stewardship Council, International Sustainability and Carbon Certification, Roundtable on Sustainable Palm Oil, Round Table on Responsible Soy, Programme for the Endorsement of Forest Certification, or equivalent.
11 Pre-2021 installations with 60 per cent lifecycle emission reduction below the baseline and pre-2015 installations with 50 per cent lifecycle emissions reduction below the baseline.
12 Fossil fuel baselines for biofuel production facilities: (1) Biofuels (for transportation) – $94gCO_2e/MJ$; (2) Bioliquids (production of electricity) – $183gCO_2e/MJ$; and (3) Bioliquids (production of heat) – $80gCO_2e/MJ$ as per the Directive (EU) 2023/2413 (RED III). For outermost regions and non-EU countries, the following baseline is applicable for electricity generation: $212gCO_2eq/MJ$.

Use of Proceeds financing assessment process continued

Key: Nature co-benefits

Energy generation, transmission, distribution and storage continued

Sub-theme:	Eligible activities	Exclusions for eligibility
Electricity transmission and distribution SDG 7: Affordable & clean energy	**Green** • Infrastructure connecting renewable energy sources to demand, including interconnectors and integration into the grid • Development, manufacture, installation of technologies or components designed for efficient transmission and distribution of electricity • Installation of voltage and other grid optimisation technologies intended to reduce the curtailment of renewable energy from the grid • Activities that replace equipment or assets containing SF6 for a cleaner alternative	**Exclusions for green** • Transmission and distribution lines directly connected or dedicated to unabated (without Carbon Capture Usage and Storage (CCUS)) fossil fuel power
	Transition • Development or upgrade of electricity transmission and distribution grids in support of electrification and increasing demands on electricity networks	**Exclusions for transition** • Transmission and distribution lines directly connected or dedicated to unabated (without Carbon Capture Usage and Storage (CCUS)) coal power
Gas transmission and distribution SDG 7: Affordable & clean energy	**Green** The following transmission and distribution activities only where zero per cent fossil fuel gas is being transported through the networks: • Construction and operation of dedicated pipelines for hydrogen, biogases or other low-carbon gases (see 'Manufacture of biogas, biofuels, hydrogen and other low carbon gases') • Retrofit of existing natural gas transmission and distribution networks to be used for low carbon hydrogen only (with emission intensity of no more than 20 $gCO_2e/MJLHV$) • Development, manufacture and installation of technologies or components designed for energy efficient transmission and distribution of low carbon gases	**Exclusions for green** • Gas network infrastructure associated with the transportation of fossil fuel gases or high-carbon gases (e.g., hydrogen produced from natural gas without CCS)
	Transition • Retrofit of existing natural gas transmission and distribution infrastructure including pipelines to reduce methane leakage, leak detection and reduction technologies	**Exclusions for transition** • Retrofits that are not compatible with low-carbon gases as described in 'Manufacture of biogas, biofuels, hydrogen and other low carbon gases' • New infrastructure which will expand fossil fuel capacity

Use of Proceeds financing assessment process continued

Key: Nature co-benefits

Energy generation, transmission, distribution and storage continued

Sub-theme:	Eligible activities	Exclusions for eligibility
Energy storage SDG 7: Affordable & clean energy	**Green** • Technologies that facilitate storage of electricity including: – Batteries e.g., Battery Energy Storage Systems, EV batteries – Thermal e.g., Liquified air – Mechanical e.g., Pumped hydro • Production, processing and recycling of batteries	**Exclusions for green** • Energy storage dedicated to unabated (without CCUS) fossil fuel power • Hydropower plants that do not comply with the eligible activities defined in 'Electricity generation'
Early decommissioning of fossil fuel infrastructure SDG 13: Climate action	**Transition** • Early decommissioning of coal, oil and gas infrastructure[13] • Repurposing of fossil fuel infrastructure to align with low-carbon alternatives (e.g., hydrogen, biofuels, CCUS) or those activities described in Eligible Green Activities	**Exclusions for transition** • Low-carbon alternatives which do not comply with the eligible activities as described in 'Manufacture of biogas, biofuels, hydrogen and other low carbon gases' • Financing fossil fuel projects leading to life extension

13 Early will be determined with referenced to average lifetimes. "To limit warming to 2°C or lower, and without new builds, existing coal plants will need to retire 10 to 25 years earlier than the historical average operating lifetime. Completing all planned projects will further reduce the viable lifetime of all plants by 5 to 10 years if warming is to be limited to 2°C or lower" IPCC Chapter 6: Energy systems

Pollution, prevention and control

Sub-theme:	Eligible activities	Exclusions for eligibility
Carbon capture, utilisation and storage (CCUS)[14,15] SDG 13: Climate action	**Green** • Carbon capture and associated value chain including transport and storage applied to: – Electricity generation with a life-cycle emissions intensity lower than 100g CO_2e/kWh – CO_2 removal e.g., direct air carbon capture	**Exclusions for green** • Facilities not designed for at least 90 per cent carbon capture rates • Carbon capture that is applied in fossil fuel production or to the use of coal, oil or fossil fuel gas for electricity generation
	Transition • Carbon capture and associated value chain when applied to new and/or existing facilities including those for: – Industrial processes e.g., cement, steel and chemicals – Production of hydrogen – Energy-from-Waste • Carbon capture and associated value chain when applied to new and/or existing electricity generation from gas. Sunset date of 2035 for new gas facilities • Activities must comply with requirements of the host country's jurisdiction and have government support as evidenced by permitting and licencing and/or financial support	**Exclusions for transition** • Facilities not designed for at least 90 per cent carbon capture rates or 60 per cent in the case of cement • Carbon capture that is applied in fossil fuel production (including enhanced oil recovery) or to the use of coal and/or oil for electricity generation • Where permanent storage is not achieved e.g., using captured carbon as a feedstock

14 Provided transportation to injection point does not lead to CO_2 leakages above 0.5 per cent of the mass of CO_2 transported. Appropriate leak detection systems are applied and monitoring with a report verified by an independent third party

15 CO_2 must be permanently stored, with appropriate leakage prevention and monitoring in place. Exploration and storage must comply with host country's jurisdiction standards for geological storage of CO_2

Use of Proceeds financing assessment process continued

Key: Nature co-benefits

Pollution, prevention and control continued

Sub-theme:	Eligible activities	Exclusions for eligibility
Emissions management SDG 11: Sustainable cities and communities	**Green** • Activities which contribute to reduction of air pollutant emissions, for example NOx and SOx	**Exclusions for green** • Projects that are applied in fossil fuel production, distribution or unabated use (without CCUS)
Sustainable waste management SDG 12: Responsible consumption and production	**Green** • Infrastructure to support more sustainable waste management, disposal, reuse and recycling of waste. This includes building or improving facilities, systems or services that: – Substitute virgin materials with recycled materials – Increase sharing, renting and reusing of products or assets so fewer new products need to be made, and less waste is created. For more on this see 'Circular economy adapted products, production technologies and processes' – Recycle materials • Facilities processing bio-waste (e.g., biodegradable food and garden waste) to produce compost for agriculture, municipal or individual customer applications • Activities involving the treatment of bio-waste (anaerobic digestion and composting) with the resulting production of biogas and digestate, as listed in 'Energy generation, transmission, distribution and storage'	**Exclusions for green** • Chemical recycling of plastic • Fossil fuel powered assets • In dedicated bio-waste treatment plants, the share of food and feed crops used as input feedstock cannot be more than 10 per cent of the input feedstock measured in weight, as an annual average
	Transition • Development, retrofit and upgrade of Energy-from-Waste facilities, where facilities are designed to be used with CCUS and heat recovery technologies, as appropriate – Waste streams must divert plastics and metals before incineration and include scrubbers to minimise air pollution	**Exclusions for transition** • Projects that fail the relevant waste management, safety and environmental permitting requirements of the host country • Where monitoring, reporting and verification measures are not present for minimisation of air pollution and greenhouse gas emissions
Circular economy adapted products, production technologies and processes SDG 11: Sustainable cities and communities SDG 12: Responsible consumption and production	**Green** • Production of resource-efficient or low carbon products that are certified by the Roundtable on Sustainable Biomaterials (in the case of bio-based materials) • Manufacture of aluminium through secondary aluminium recycling • Solutions which are used to increase the lifespan of existing products, including through improved modularity (e.g., repair, refurbish, recondition or predictive maintenance), and/or which are used to increase ease of disassembly to enable resource recovery and recycling • Solutions which reduce material use (e.g., in packaging) and minimise waste generation (e.g., closed-loop manufacturing systems) in comparison to conventional practices and sector averages	**Exclusions for green** • Equipment and technologies designed or intended for businesses or projects focussed on fossil fuel production, distribution or power generation • Solutions increasing the lifespan of existing products must not require pre-processing to put products back together to their original use • Where goods cannot be traced back to source e.g., mass balance or credits

Use of Proceeds financing assessment process continued

Key: Nature co-benefits

Energy efficiency

Sub-theme:	Eligible activities	Exclusions for eligibility
Industrial processes and supply chains SDG 7: Affordable & clean energy SDG 9: Industry innovation and infrastructure	**Green** • Development, manufacture, distribution, installation and upgrades of technologies, equipment and software which increase energy efficiency by at least 40 per cent for industrial and manufacturing processes and at least 50 per cent for agricultural processes • Upgrades and installations of technologies and equipment which reduce heat loss and/or increase waste heat recovery • Assets used to process, manufacture and recycle products related to energy efficiency, sustainability or to support renewable energy production and storage, including associated materials and critical minerals[16] • Renewable powered (e.g., electric, biogas or hydrogen fuelled) equipment, access equipment and/or construction equipment (e.g., fork-lift trucks, scissor lifts and excavation machinery powered by electricity, biogas or hydrogen)	**Exclusions for green** • Machinery directly powered by fossil fuels • Projects to improve energy efficiency of equipment or technologies used in fossil fuel production and/or distribution • Projects using waste heat from fossil fuel production/operation • Operations linked to deforestation or clearance within High Conservation Value Forests, UNESCO World Heritage Sites, International Union for the Conservation of Nature IUCN (I – IV) Protected Sites, Ramsar Sites, Man & Biosphere Sites and High Conservation Value Areas
	Transition • Renewable powered equipment, access equipment and/or construction equipment) used in fossil fuel production and/or distribution • Mining of metals and minerals critical to the transition, as determined by the host country, including but not limited to lithium intended for use in battery production[17]	**Exclusions for transition** • Operations linked to deforestation or clearance within High Conservation Value Forests, UNESCO World Heritage Sites, International Union for the Conservation of Nature IUCN (I – IV) Protected Sites, Ramsar Sites, Man & Biosphere Sites and High Conservation Value Areas
Buildings and other infrastructure SDG 7: Affordable & clean energy SDG 9: Industry innovation and infrastructure	**Green** • Development of Information Communication Technology solutions where the activities are predominantly aimed at the provision of data and analytics enabling greenhouse gas emission reductions • Deployment of fibre broadband to households and commercial premises enabling decarbonisation and resource efficiency • Development, manufacture, repair, maintenance and/or installation of energy efficiency technologies, products and/or systems for the built environment, including: – Smart meters for electricity – Energy efficient lighting – Highly efficient heating, ventilation and air conditioning (HVAC) systems – Devices measuring, regulating or controlling energy performance of buildings • See 'Industrial processes and supply chains' for activities covering building materials	**Exclusions for green** • Projects that improve the energy efficiency of fossil fuel-based energy generation (coal-fired power plants, oil, natural gas) • Businesses or projects focused on fossil fuel production, distribution or power generation

16 Critical Minerals technical annex – GOV.UK
17 For example, for the UK: Critical Minerals technical annex – GOV.UK

Use of Proceeds financing assessment process continued

Key: Nature co-benefits

Built environment

Sub-theme: | **Eligible activities** | **Exclusions for eligibility**

Commercial and Residential Buildings[18]

SDG 7: Affordable & clean energy

SDG 9: Industry innovation and infrastructure

SDG 11: Sustainable cities and communities

SDG 13: Climate action

Eligible activities

Green

Construction, acquisition or retrofitting of buildings:

Consumer lending for residential buildings:
- Energy performance certificate (EPC) of B or better[19]

Commercial lending for development of new residential buildings:
- EPC rating B+ or better for the development (i.e. higher end Standard Assessment Procedure (SAP) scores within the B rating) with an absolute floor of EPC rating B for each individual unit
- Buildings meeting the NextGeneration Project criteria at a minimum bronze level (Nature co-benefits)
- Buildings certified to an acceptable level under an internationally-recognised green building certification scheme – see certifications listed under 'Commercial lending for existing residential or commercial buildings' (Nature co-benefits)

Commercial lending for development of new commercial buildings:
- EPC rating B or better
- Buildings certified to an acceptable level under an internationally-recognised green building certification scheme – see certifications listed under 'Commercial lending for existing residential or commercial buildings'

Commercial lending for existing residential or commercial buildings:
- EPC rating B or better
- Buildings identified as being in the top 15 per cent for primary energy demand
- Buildings certified to an acceptable level under an internationally recognised green building certification scheme, such as: (Nature co-benefits)
  - BREEAM: Excellent or Higher
  - LEED: Gold or higher
  - EDGE: Certified or higher
  - Home Quality Mark 4 or higher (residential buildings only)
  - NABERS 5 or above (commercial buildings only)

Retrofitting (Consumer and Commercial lending for residential or commercial properties):
- Retrofit of existing buildings (residential and commercial) which results in EPC B or better[20]
- Loans or other credit provisions, the use of which is to deliver one or multiple eligible retrofitting activities. Retrofitting activities including, but not limited to: (Nature co-benefits)
  - Installation, maintenance and repair of on-site renewable energy technologies e.g., Solar PV, solar water heating, heat pumps, water source heating and battery storage
  - Installation, maintenance and refurbishment of heating and cooling systems with more efficient and/or non-fossil fuel powered systems. Includes efficient heating, ventilation and air conditioning (HVAC) systems, insulation, double and triple glazing
  - Installation, maintenance and repair of energy efficiency equipment e.g., LED lighting
  - Water management and efficiency fixtures and systems e.g., rainwater harvesting, sustainable drainage, water efficient appliances, metering and leak detection metres
  - Resilience measures e.g., products to enhance resistance to flooding such as flood doors and windows or demountable barriers
  - Installation of energy management systems including devices or technology for measuring, regulation and controlling energy performance of buildings e.g., installation of voltage optimisation systems

Eco-pods/sustainable camping:
- Eco-pods demonstrating low impact construction, low ampage power and renewable energy and heating sources e.g., solar or sustainable biomass or 100 per cent grid powered (Nature co-benefits)

Exclusions for eligibility

Exclusions for green

- Activities related to buildings directly involved in the exploration, extraction, refining and distribution of fossil fuel or unabated (without CCUS) use of thermal coal
- Investment into fossil fuel powered eco-pods

18 The Group's pricing discount propositions may require higher standards than those listed in the eligibility criteria
19 For Channel Islands, a minimum B will be averaged across the Energy Cost and the Environmental Impact ratings
20 For the avoidance of doubt, this also includes retrofitting activities that move a rating from an EPC B to an EPC A

Use of Proceeds financing assessment process continued

Key: **Nature co-benefits**

Built environment continued

Sub-theme:

Commercial and Residential Buildings[18] continued

SDG 7: Affordable & clean energy

SDG 9: Industry innovation and infrastructure

SDG 11: Sustainable cities and communities

SDG 13: Climate action

Eligible activities

Transition

Consumer or Commercial lending for existing residential or commercial buildings:

- Retrofit of existing buildings which results in at least a 30 per cent reduction in energy use[21] or which results in a minimum EPC C

Construction, retrofit and operation of data centres, where the facility:

- Is designed for a Power Usage Effectiveness (PUE) of less than or equal to 1.3
- Utilises efficient water cooling systems to minimise water consumption and environmental impact

Exclusions for eligibility

Exclusions for transition

- Activities related to buildings directly involved in the exploration, extraction, refining and distribution of fossil fuel or unabated (without CCUS) use of thermal coal
- Projects that fail the relevant water management and environmental impact requirements relevant to the location
- For data centres, no dedicated fossil fuel-based power generation is developed or used as primary energy supply

21 Measurement can be calculated using an EPC score

Use of Proceeds financing assessment process continued

Key: Nature co-benefits

Clean transportation

Sub-theme: | **Eligible activities** | **Exclusions for eligibility**

Vehicles

SDG 7: Affordable & clean energy

SDG 9: Industry innovation and infrastructure

Eligible activities

Green

Development, sale, leasing or other asset-specific financing, operation and upgrade of zero and low carbon transportation for people, materials and freight including:

- Cars, motorbikes and commercial vans with zero direct (tailpipe) CO_2 emissions
- Buses and coaches with zero direct (tailpipe) CO_2 emission and certified with Zero Emission Bus certification; or biogas buses which meet the UK's Renewable Transport Fuel Obligation (RTFO) or EU's Renewable Energy Directive (RED) certification or a local equivalent in other jurisdictions
- Low emission heavy-duty vehicles with zero direct (tailpipe) CO_2 emissions and meeting the UK's RTFO, EU's RED certification, or a local equivalent in other jurisdictions
- Trains and wagons with zero direct (tailpipe) CO_2 emissions
  - Or bi-mode trains and wagons with zero direct (tailpipe) CO_2 emissions when operated on a track with the necessary infrastructure, but use a conventional engine where such infrastructure is not available
- Sea and coastal passenger water transport with zero direct (tailpipe) emissions e.g., ferries, water taxis, sightseeing boats or cruise ships

Transition

- Plug-in hybrid buses and heavy-duty vehicles, where battery-electric or fuel-cell-electric alternatives are not technically or operationally feasible e.g., rural buses and long-distance coaches

Exclusions for eligibility

Exclusions for green

- Efficiency improvements involving conventional fossil fuel combustion engines
- Vehicles dedicated to transportation of fossil fuel

Exclusions for transition

- Hybrids intended for use on short distance, urban or high frequency routes

Aviation

SDG 9: Industry innovation and infrastructure

Eligible activities

Transition

- Aircraft fleet upgrades that deliver verified energy efficiency improvements (including best-in-class new aircraft) or enable the transition to sustainable aviation fuel or other low carbon fuels
- Airport infrastructure-related efficiency and fuel transition activities are covered under 'Transport infrastructure'

Exclusions for eligibility

Exclusions for transition

Transport infrastructure

SDG 9: Industry innovation and infrastructure

SDG 11: Sustainable cities and communities

Eligible activities

Green

- Infrastructure for personal mobility and cycle logistics e.g., footpaths and bike paths
- Infrastructure dedicated to the operation of vehicles with zero direct (tailpipe) CO_2 emissions
  - E.g., electric charging points and hydrogen fuelling stations or biogas which meets the UK's RTFO, EU's RED certification, or a local equivalent in other jurisdictions

Transition

- Airport efficiency enablers e.g., SAF storage and distribution, ground operations electrification, fixed gate power, Advanced Surface Movement Guidance and Control Systems and air side efficiency systems

Exclusions for eligibility

Exclusions for green

- Infrastructure used for the transportation or storage of fossil fuels
- Development and improvement of transport links to airports
- New construction and existing road infrastructure retrofits, including roads, road bridges and parking facilities

Exclusions for transition

- Capacity expansion e.g., new runways, terminal expansions
- New greenfield airports

Use of Proceeds financing assessment process continued

Key: Nature co-benefits

Sustainable water and wastewater management

Sub-theme:	Eligible activities	Exclusions for eligibility
Sustainable water management SDG 6: Clean water and sanitation	**Green** Activities that reduce issues associated with water scarcity and improve water quality. For example: • Built or natural water treatment facilities (nature co-benefits) • Desalination plants where the average carbon intensity of the energy used to power the plant must be lower than 100gCO_2/kWh over the remaining lifetime of the asset • Construction and operation of water reservoirs • Natural wetlands for water retention and purification (nature co-benefits) Activities that improve water efficiency including technologies and products that monitor, reduce, reuse or recycle water, such as: • Smart irrigation systems (to reduce water usage), efficient irrigation (i.e. sprinkler and drip irrigation systems), rainwater harvesting, creating or extending farm reservoirs (nature co-benefits) • Front-to-end water collection, treatment and supply system, provided energy consumption per cubic meter of final water supply is deemed efficient or substantially improved (nature co-benefits)	**Exclusions for green** • Water projects that increase greenhouse gas emissions, water stress or water pollution from a business-as-usual baseline over the operational lifetime of the water asset or project
Sustainable wastewater management SDG 6: Clean water and sanitation	**Green** Activities that address water scarcity and improve water quality, and/or that reduce greenhouse gas emissions. For example: • Development, expansion, upgrade or maintenance of wastewater infrastructure • Solutions to remove emissions created from the treatment of wastewater	**Exclusions for green** • Wastewater treatment for fossil fuel operations • Businesses or projects focused on fossil fuel production, distribution or power generation

Climate change adaptation

Sub-theme:	Eligible activities	Exclusions for eligibility
Climate change adaptation SDG 13: Climate action	**Green** Activities which support climate change adaptation, such as those explicitly identified within nationally or locally defined adaptation and resilience strategies and plans (e.g., National Adaptation Plans) and including nature-based solutions. Each activity must strengthen adaptation and resilience to climate change impacts, addressing material physical risks. Activities can also support social, economic and ecological outcomes that are material to operations and assets, and support broader societal and/or systemic outcomes where appropriate. For example: • Design and construction of new infrastructure, or refurbishment or maintenance of existing infrastructure which increases asset resilience against the physical impacts of climate change e.g., drainage systems, temperature-control systems • Design and construction of new infrastructure, or refurbishment or maintenance of existing infrastructure which benefits both asset-focused resilience and systemic adaptative capacity e.g., flood defences, grid resilience (nature co-benefits) • Data-driven climate monitoring solutions, such as climate observation, early warning systems for natural disasters and monitoring greenhouse gas emissions • Research, development, and use of climate-resilient crops (nature co-benefits)	**Exclusions for green** • Solutions that adversely affect the adaptation efforts or resilience to physical climate risks of other people, nature, cultural heritage, assets and other economic activities • Solutions that are inconsistent with local, sectoral, regional or national adaptation strategies and plans

Use of Proceeds financing assessment process continued

Key: **Nature co-benefits**

Environmentally sustainable management of living natural resources and land use

Sub-theme:	Eligible activities	Exclusions for eligibility
Sustainable agriculture and food systems **SDG 12:** Responsible consumption and production **SDG 9:** Industry innovation and infrastructure **SDG 15:** Life on land	**Green** Sustainable agriculture activities and technologies that result in environmental benefits such as a reduction in energy use, water use or greenhouse gas emissions during operations. Examples include: • Certified sustainable farming e.g., LEAF Marque certified • Regenerative farming as evidenced by certification and/or recognised principles and practices (e.g., minimal soil disturbance, maintaining living ground cover, nitrogen accumulation, limited use of fossil-fuel fertilisers and/or pesticides, implementing livestock in arable systems, agroforestry) • Organic farming, where compliant with organic farming legislation and certified by approved control bodies appointed by the host country government • Wildlife habitat management and restoration of degraded lands e.g., improving and restoring soil health, hedgerow planting, agroforestry • Collection, management and use of agricultural waste, wastewater and pollution e.g., slurry management • Improved drainage systems for agricultural land which is linked to wider soil health improvement planning • Carbon sequestration and long-term storage of carbon from the atmosphere e.g., crop rotation, no-till farming • Finance contributing to practices or projects eligible for environmentally based subsidies or grants e.g., Environmental Land Management Schemes (ELMS), Countryside Stewardship, Higher Level Stewardship and devolved nations equivalents • Solutions and technology that achieve increased yields, significant water efficiency, reduced land-use, reduced waste and/or pesticide use, with a reduction in GHG emissions e.g., drones, remote sensors, geographic information systems (GIS), Controlled Environment Agriculture (CEA), hydroponics, precision fermentation and advanced bioprocessing, including for sustainable alternatives to high impact commodities such as oils, fats, cocoa and coffee • Sourcing and growing of alternative protein crops to replace non-certified soy for animal feed • Development and production of cultivated/cell-based proteins and alternative dairy proteins, where production demonstrates lower GHG emissions and substantially lower land use/biodiversity impacts versus conventional systems, and is compliant with relevant food safety regulations • Development of integrated food–energy systems where renewables or low carbon energy are co-located with food production to optimise kWh→kJ efficiency and reduce emissions	**Exclusions for green** • Projects reliant on fossil-fuel powered systems, heat sources, and/or machinery unless no viable low carbon alternatives exist at scale • Activities resulting in net increases in GHG emissions, water stress, or pollution versus a business-as-usual scenario • Activities that cause deforestation or clearance within High Conservation Value Forests, UNESCO World Heritage Sites, International Union for the Conservation of Nature IUCN (I-IV) Protected Sites, Ramsar Sites, Man & Biosphere Sites and High Conservation Value Areas Monoculture systems without demonstrated environmental benefit/certification • Manufacture or distribution of inorganic, synthetic fertilizers, pesticides or herbicides
	Transition • Hybrid agricultural machinery	**Exclusions for transition**
Sustainable fisheries **SDG 12:** Responsible consumption and production **SDG 14:** Life below water	**Green** Activities which support an increase in sustainable fisheries, such as those with certification under the Marine Stewardship Council (MSC), the Aquaculture Stewardship Council (ASC) or the Global G.A.P Standards. For example: • Technologies that reduce catch losses and bycatch e.g., bycatch exclusion devices, fishing gear modification • Collection infrastructure for disposal of fishing nets	**Exclusions for green**

Use of Proceeds financing assessment process continued

Key: Nature co-benefits

Environmentally sustainable management of living natural resources and land use continued

Sub-theme:	Eligible activities	Exclusions for eligibility
Sustainable forestry **SDG 15:** Life on land	**Green** Activities which support the sustainable management and restoration of forests. For example: Afforestation of previously non-forested land in compliance with sustainable forest management requirements Rehabilitation and restoration of forests, including reforestation and natural forest regeneration Forestry systems and agroforestry systems targeted at smallholder farmers with sustainable forestry management plan in place Sustainable forest management certified by approved control bodies appointed by the host country government[22] Sustainable forest products certified by approved control bodies appointed by the host country government[23]	**Exclusions for green** • Conversion from prime agricultural land (Grade 1 and Grade 2 per Agricultural Land Classification System) to pure forestry • Conversion from a natural non-forested landscape with high climate mitigation and/or biodiversity value e.g., peatlands • Monocrop plantations that do not produce a certified sustainable end product • Any forestry activities primarily related to production of biomass for power generation, unless deemed acceptable under 'Energy generation, transmission, distribution and storage'

22 In the UK, this would be the UK Forestry Standard or UK Woodland Assurance Standard (UKWAS)
23 In the UK, this would be the UK Woodland Assurance Standard (UKWAS), Forest Stewardship Council (FSC), Programme for Endorsement of Forest Certification (PEFC) or Woodland Carbon Code

Terrestrial and aquatic biodiversity conservation

Sub-theme:	Eligible activities	Exclusions for eligibility
Conservation, restoration and protection of land and aquatic environments and biodiversity **SDG 6:** Clean water and sanitation **SDG 14:** Life below water **SDG 15:** Life on land	**Green** Activities which support the conservation, protection and restoration of terrestrial, freshwater and marine environments, biodiversity and ecosystem services, including salt marshes, seagrasses, peatlands, forests, woodlands, rainforests, grasslands, coral reefs. For example: Ecotourism or collaborative management partnerships Nature-based solutions for carbon sequestration and long-term storage of carbon from the atmosphere Nature-based solutions that monetise ecosystem services (beyond carbon) to support landscape restoration and/or conservation Technologies to prevent and control invasive alien species	**Exclusions for green** • Activities which cause significant harm to other ecosystems

Use of Proceeds financing assessment process continued

3.2.2 Social

Eligible Social Activities under this Framework are those activities that aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes for a target population(s). Assessment of prospective eligible activities will consider the client's impacts on people, its dependence on healthy, fair societies, related risks (including systemic inequality risks) and opportunities.

In alignment with LMA SLP and ICMA SBP, target populations include but are not limited to those who are:

- Living below the poverty line (in accordance with local/regional definitions)
- Excluded and/or marginalised populations and/or communities
- People with disabilities
- Migrants and/or displaced persons
- Functional illiteracy where the ability to manage daily living and employment tasks is limited
- Underserved, owing to a lack of quality access to essential goods and services (in accordance with local/regional definitions)
- Unemployed
- Women and/or sexual and gender minorities
- Aging populations and/or vulnerable youths
- Other vulnerable groups, including as a result of natural disasters, climate change and/or climate transition projects that cause or exacerbate socioeconomic inequity

The table below sets out the Group's criteria for determining eligibility for social activity. The table groups activities into themes and sub-themes and sets out which activities are classified as social as well as, in each case, relevant exclusions for eligibility, and the primary SDGs aligned with each sub-theme.

Eligibility criteria should be read in conjunction with both the specific exclusions described for the relevant activity, and the Group's External Sector Statements. **See Section 2.2 Criteria for qualifying financing**. These exclusions are non-exhaustive and the Group has a right to apply additional exclusions based on evolution of good practice and/or scientific understanding.

Affordable housing – See also "Built Environment" in Green and Transition Eligibility

Sub-theme:	Eligible activities	Exclusions for eligibility
Affordable housing **SDG 1:** No poverty **SDG 10:** Reduced inequalities **SDG 11:** Sustainable cities and communities	• UK accredited or registered Housing Associations[24], provided the Housing Association is involved in the construction, management, and/or refurbishment of properties for at least one of the following: – Social Rent[25] – Affordable Rent[26] – Shared Ownership[27] – Supported Housing[28] • Mortgages to individuals or families purchasing a home under government backed schemes: – Shared Ownership, with an annual household income less than the national median[29] – Right to Buy[30] schemes	

24 Housing Associations are not-for-profit and for-profit organisations operating under the auspices of the Regulator for Social Housing that offer social rented, affordable rented and intermediate housing. Also including UK Crown Dependencies when there is material equivalence in social housing provision
25 Social Rent relates to homes provided by local authorities and housing associations where rent levels are discounted (usually in the order of between 30 – 50 per cent) to market rents for the local area, and rent increases are limited with the intention that this results in a more secure, long-term tenancy than private renting
26 A scheme open to a broader range of household incomes than social rent and involves homes provided by local authorities and Housing Associations with controls that ensure rents charged are no higher than 80 per cent of local market rent. This scheme is also sometimes known as Intermediate Rent
27 A scheme which allows applicants to purchase a share of a property (between 25 per cent and 75 per cent) from a Housing Association, paying an affordable rent on the part still owned by the Housing Association. An individual's eligibility to access shared ownership housing is subject to certain criteria and conditions including household income cap. Shared ownership is capped at market value of the property
28 A scheme where housing, support and sometimes care services are provided to help people to live as independently as possible in the community. Examples include care, nursing, and sheltered housing
29 The median household income in the UK at April 2025 was £30,039, based on estimates from the Office for National Statistics (ONS) Household Finances Survey (HFS)
30 A scheme designed to allow long-standing tenants of Housing Association-owned property to purchase the property at a discount to the market

Use of Proceeds financing assessment process continued

Affordable basic infrastructure – See also "Energy generation, transmission, distribution and storage," "Pollution Prevention and Control" and "Clean Transportation" in Green and Transition Eligibility

Sub-theme:	Eligible activities	Exclusions for eligibility
Energy infrastructure **SDG 7:** Affordable & clean energy	• Development and expansion of energy generation, transmission, distribution and storage infrastructure (as laid out in 'Energy generation, transmission, distribution and storage') that provides access to renewable energy in underserved and emerging markets	• See 'Energy generation, transmission, distribution and storage'
Telecommunication infrastructure and services **SDG 9:** Industry innovation and infrastructure	• Development of information and communications technology (i.e. telecommunication services and related infrastructure) that improves connectivity • Activities which support digital inclusion	
Water and sanitation infrastructure **SDG 6:** Clean water and sanitation	• Development, operation, refurbishment and maintenance of water, sewer and sanitation-related infrastructure to ensure access to safe and affordable drinking water and equitable sanitation and hygiene	• Desalination projects without appropriate waste management plans for brine disposal or with dedicated on-site fossil fuel power
Transportation and transport infrastructure **SDG 11:** Sustainable cities and communities	• Development and maintenance of transportation and transport infrastructure that improves connectivity and/or accessibility e.g., development and maintenance of rural roads, provided there is evidence of enabling access to essential services e.g., education, health, food or water	• Greenfield highways and airports unless aligned to credible net-zero pathways and subject to robust environmental and social impact assessment

Use of Proceeds financing assessment process continued

Access to essential services

Sub-theme:	Eligible activities	Exclusions for eligibility
Healthcare **SDG 3:** Good health and well being	• Operation, development, expansion or acquisition of healthcare buildings or facilities including: – Hospitals, clinics, mental health facilities, care homes, nursing homes and community-based healthcare that improves access to safe and affordable health care – Healthcare facilities that enhance access to healthcare services that are affiliated with the UK National Health Service (NHS) • Research and development of new medicines, treatments, vaccines or health equipment to provide access to medicines that will be affordably priced or subsidised • Development, provision or distribution of medical equipment that improves access to safe and affordable healthcare • Provision of affordably priced or subsidised medicines on the World Health Organisation (WHO) essential medicines list • Infrastructure, equipment, training or financing to address a public health crisis emergency response	• Private healthcare facilities[31]
Education **SDG 4:** Quality education	• Lending to UK publicly funded universities where the Tuition Fee Loans and means tested Maintenance Loans are available for UK students (or free tuition fees for Scottish undergraduates) therefore providing access and affordability for degree level education • Projects to train educational professionals, for example sponsorship or apprenticeship programmes, in skills which are currently, or are expected to, enable sustainable livelihoods	• Private schools[32]
Access to financing **SDG 8:** Decent work and economic growth **SDG 17:** Partnerships for the goals	Financing or advisory services for individuals and micro, small, and medium-sized enterprises (SMEs) including: • Financial support to small regional community institutions, known as Community Development Financial Institutions[33] • Those located in in the most socioeconomically disadvantaged in accordance with local or regional definitions[34] • Financing to business whose founders or management are in target populations	• High-cost short-term credit and other products, and distribution practices judged by competent authorities (such as the Financial Conduct Authority) to create consumer detriment for vulnerable populations e.g., Payday loans, high interest Monetary Financial Institution (MFI) loans • Religious and political projects

31 Exceptions to this include expanding capacity in areas of clear public service gaps, and/or where facilities are contracted to serve low-income populations
32 Exceptions to this include expanding capacity in areas of clear public service gaps
33 "A CDFI is a non-profit lender that provides debt finance and support to businesses through a relationship-based approach to lending" british-business-bank.co.uk/business-guidance/guidance-articles/finance/community-development-finance-institutions
34 For example, for the UK this is defined as areas ranking in the bottom 20th percentile in terms of the UK Indices of Deprivation

Use of Proceeds financing assessment process continued

Food security and sustainable food systems – See also "Environmentally sustainable management of living natural resources and land use" in Green and Transition Eligibility

Sub-theme:	Eligible activities	Exclusions for eligibility
Food and water security and sustainable food systems **SDG 2:** Zero hunger	• Manufacture, logistics, provision and distribution of nutrition (food and potable water) that address malnutrition and food security • Infrastructure to reduce food losses along the production and supply lines including efficient farming practices, adequate storage facilities and improved food conservation and connectivity	• Promotion of agricultural products that are forbidden under WHO Class I and II hazardous products • Intensive livestock systems and agricultural practices with high pollution, deforestation or biodiversity loss impacts

Employment generation

Sub-theme:	Eligible activities	Exclusions for eligibility
Employment generation **SDG 8:** Decent work and economic growth	• Capability building and services aimed at improving the employability and upskilling to achieve productive employment and decent work for occupations that are currently/expected to be in shortage in the relevant jurisdiction, including skills required for a just transition • Support micro, small and medium-sized enterprises (SMEs) that qualify on the basis of credible job creation, entrepreneurship and innovation programmes and which will provide real economy impacts for the region in which they operate • Creation of specialist economic infrastructure to support the growth of high-quality, high-productivity jobs that contribute to economic growth to include but not be limited to: Science parks (including Innovation hubs and Knowledge Quarters), Advanced Manufacturing facilities, Media Assets, University facilities, Regional infrastructure facilities (e.g., Maritime, Freeports, Transport, Renewables)	• See 'Energy generation, transmission, distribution and storage', unless activities can be evidenced to support a just transition • Specialist infrastructure in investment locations outside the key investment zones and freeports designated by the host country

Socioeconomic advancement and empowerment

Sub-theme:	Eligible activities	Exclusions for eligibility
Socioeconomic advancement and empowerment **SDG 5:** Gender equality **SDG 10:** Reduced inequalities	• Organisations and activities that provide or promote equitable access to skills, decent work, entrepreneurship, income-generating opportunities and participation in markets and society, with a focus on reducing inequalities	

Use of Proceeds financing assessment process continued

Financing charities and non-profit institutions

Sub-theme:	Eligible activities	Exclusions for eligibility
Financing registered charities **SDG 17:** Partnerships for the goals	• Financial support for the activities of registered charities and other philanthropic organisations with the specific purpose of supporting programmes aimed at benefitting target populations or that have the specific purpose to advance the green/social activities defined in this Framework	• Religious and political institutions • Private schools

Use of Proceeds financing assessment process continued

3.3 Process of project evaluation and selection

For Use of Proceeds financing, the process for project evaluation and selection will depend on the client and size of the transaction, as determined by business unit:

Business unit	Typical requirements
CIB	The client is required to meet the requirements detailed in 'Process of project evaluation and selection' in GLP, SLP or TLP, where practical. Evidence to demonstrate alignment may be provided to the Group through the client's sustainable finance framework complete with a Second Party Opinion, the client's business plan, or through regular engagement between the client and the Group. Group business units follow internal processes as part of an agreed control framework to ensure alignment with Eligibility Criteria.
BCB and Consumer	The Group sources data from approved external sources to validate the type of activity, for example, EPC ratings. It considers this data against alignment with the Eligibility Criteria. This process is supported by the Group's Three Lines of Defence model. **See Section 7 Governance and Risk Management**.

3.4 Management of proceeds

In line with the Group's internal monitoring processes for Use of Proceeds loans, business units will work with their clients to monitor loan proceeds. The Group will tailor its management of proceeds depending on the nature, sector and size of the client, as determined by business unit:

Business unit	Typical requirements
CIB	The client shall meet the requirements detailed in 'Management of Proceeds' within GLP, SLP or TLP, where practical. Evidence to demonstrate alignment can include, for example: • Capital expenditure or investment milestones documented within the facility agreement or side letter • For buildings: Loan drawdowns linked to development milestones or building certification • For Project Finance: Use of Proceeds accounts and project delivery milestones
BCB	The client shall meet the requirements detailed in 'Management of Proceeds' within GLP, SLP or TLP, where practical. Use of Proceeds are managed through client confirmation and tracking via the Group's regular relationship management engagement. • For buildings: Evidence can include building certification upon development/retrofit completion
Consumer	For residential buildings (mortgages) and transport (motor finance), respectively, details of the property and vehicle are documented in the loan agreement.

Use of Proceeds financing assessment process continued

3.5 Reporting

Client reporting requirements for Use of Proceeds financing will depend on the size of the transaction, the client segment and the Eligible Activity. Typical reporting requirements are set out in the table below:

Business unit	Typical requirements
CIB	The client shall meet the requirements detailed in 'Reporting' within GLP, SLP or TLP, where practical. The Group will typically document sustainability-related reporting requirements (e.g., generation capacity for renewables projects) within the wider financial reporting requirements in a facility letter. Where certification (e.g., EPC rating, organic farming certification etc.) is key to determining eligibility under the Framework, the Group will require a completion certification.
BCB	The Group does not generally require formal reporting, although the Group does require certification evidence e.g., EPC completion certificate where this is a determinant of the Use of Proceeds. Instead, relevant evidence as appropriate to the loan criteria is reviewed between relationship manager and client through their regular engagement.
Consumer	A loan is typically provided for a specific purpose and assessed against the Framework's eligibility at the point of providing the loan. No additional data is typically required from the client.

3.6 Entity-level assessment

In addition to the Use of Proceeds assessment against the Eligibility Criteria, alignment to the client's sustainability credentials will be considered by the Group's relationship manager or product sales colleague, who will assess compliance against internal ESG risk standards and portfolio mandates as part of the credit approval process.

For transition Use of Proceeds financing, requirements for entity-level assessment will depend on the size of the transaction and the client and will take into account the LMA Guide to Transition Loans:

Business unit	Typical requirements
CIB	Evidence is collated and assessed in line with the process described in **Section 6 Transitioning Entity Financing assessment process**.
BCB	Requirements are proportionate and contextual to small and medium-sized enterprises (SMEs), focused on achievable, commercially and technologically feasible steps at the time of capital deployment.
Consumer	Not applicable

3.7 Declassification

A declassification event may occur in relation to a Use of Proceeds product where, upon declassification, it will be treated as a conventional loan (or bond) and will therefore not be classified as sustainable or transition under this Framework. Furthermore, the Use of Proceeds product will not, upon declassification, be labelled or reported as sustainable or transition by the Group. For the avoidance of doubt, declassification does not constitute an event of default under the relevant financial product.

4.

Sustainability-linked financing assessment process

Sustainability-linked financing (loans and bonds) is where the financial characteristics of the instrument can vary depending on whether the relevant entity achieves predetermined sustainability performance targets at the agreed observation date(s).

Sustainability-linked financing is eligible for inclusion under this Framework if, at the origination stage, it has been assessed by the Group as aligning with the core components of the LMA Sustainability-Linked Loan Principles (SLLP) or ICMA Sustainability-Linked Bond Principles (SLBP):

1) Selection of Key Performance Indicators (KPIs)
2) Calibration of Sustainability Performance Targets (SPTs)
3) Loan characteristics
4) Reporting
5) Verification

Bond process

Facilitating Use of Proceeds bonds

Where the Group facilitates a client's sustainability-linked bond, the client's associated sustainability-linked bond framework and Second Party Opinion are reviewed and assessed against the SLBP as part of the Group's bond underwriting approval process.

For Sustainability-Linked Loans (SLLs) in which the Group participates, the assessment and approval process follows the SLLP as laid out below for CIB clients.

For SMEs (including BCB clients), the Group applies the Sustainability-Linked Loan Principles, applying proportionality where appropriate. This may include, but not be limited to, the following adaptations, reflecting sector and size:

- Calibration of targets supported through sustainability certifications or buyer sustainability standards e.g. in the case of sustainable supply chain finance
- Proportionate expectations for reporting and verification

4.1 Selection of Key Performance Indicators (KPIs)

For SLLs, the Group engages directly with the client to understand the KPIs and ensure these are aligned with the requirements of the SLLP.

4.2 Calibration of Sustainability Performance Targets (SPTs)

The SPTs must be ambitious, represent a material improvement in the sustainability performance of the client as measured by the respective KPIs beyond a business-as-usual trajectory, and be consistent with the client's overall sustainability and business strategy.

The client is required to meet the requirements detailed in 'Calibration of SPTs' in SLLP, where practical.

For SLLs, SPTs set by the client are reviewed by the Group's Sustainability Asset Eligibility Forum (SAEF) for alignment with the LMA SLLPs and this Framework, considering factors as appropriate.

4.3 Loan characteristics

Each loan agreement sets out the terms including the financial and/or structural characteristics which vary depending on whether the selected KPIs do or do not reach the predefined SPTs.

These characteristics typically involve an interest margin ratchet. The specific ratchet structure will be dependent on factors such as the size of the loan, number and type of KPIs and will be assessed and checked by the SAEF.

An SLL agreement typically includes a rider and/or rendezvous clause whereby if a KPI can no longer be calculated or is no longer (materially) applicable to the client, then the client and the Group will consult to replace or remove the KPI.

4.4 Reporting

For SLLs, the client is responsible for reporting on the performance of the agreed KPIs against the SPTs. The KPIs, applicable environmental and/or social standards, calculation methodology and SPTs are typically specified in the finance documentation. Reporting must be provided by clients on an annual basis at a minimum as detailed in 'Reporting' in SLLP, where practical.

The Group continues to explore new sustainability-linked financing structures to support its clients whilst maintaining robust eligibility standards. Part of the Group's sustainability-linked offering includes financing marketed as transition-themed e.g., transition-linked loans. These transition-linked loans are structured to be aligned with the LMA's SLLP, so are categorised as SLLs, and reported as sustainable (rather than transition) under this Framework.

The Group does not include 'SLL-ready' transactions in reported sustainability-linked loan numbers for wider sustainable and transition finance reporting. SLL-ready transactions are those where the loan agreement allows sustainability KPIs to be added at a later date, but no sustainability KPIs have been documented at deal completion.

The Group does not include SLLs and SLBs from oil and gas upstream clients and oil and gas super-major clients within reported sustainability-linked loan numbers for wider sustainable and transition finance targets.

4.5 Verification

Clients must obtain an independent and external verification of performance against each SPT for each KPI as detailed in 'Verification' in SLLP, where practical. This will usually take the form of a sustainability compliance certificate being provided to the Group by the client, together with third-party verification by a qualified external reviewer.

For SLLs, where a regulated entity (e.g., registered social housing provider or water, electricity or gas utility company) is using data that it submits to its regulator for one or more KPIs, the Group may accept this data submission in place of independent external verification. Where a KPI metric relates to third-party certification (e.g., EPC rating, SAP score, audit or recognised certification, ratings or benchmarking process) then that report or certification may be accepted by the Group in place of independent external verification. In either case, the Group may still request independent external verification or additional data.

4.6 Declassification

Where a declassification event occurs in relation to an SLL, it will be treated as a conventional loan and will therefore not be classified as sustainable or transition under this Framework. Any sustainability performance linked margin adjustment ceases to apply, and the facility will, upon declassification, not be labelled or marketed as sustainability-linked. For the avoidance of doubt, declassification does not constitute an event of default under the relevant loan.

5.

Sustainable Business Financing assessment process

Sustainable Business Financing transactions are assessed against the Eligibility Criteria and against the relevant overarching LMA principles considering, for example, the client's sustainability strategy and its alignment with science-based pathways.

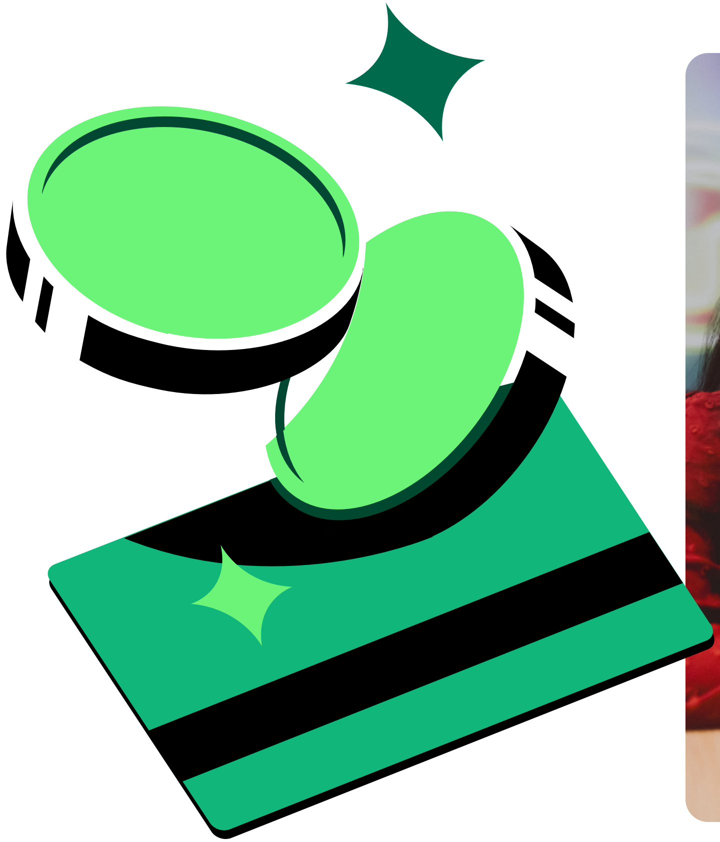
Subject to certain exceptions outlined below, this type of financing requires 90 per cent or more of an entity's revenue to be generated from those activities as laid out in **Section 3.2 Eligibility Criteria**:

1) Eligible Green Activities; and/or

2) Eligible Social Activities

For Sustainable Business Financing, the specific exclusions within each sub-theme of Section 3 (Use of Proceeds) still apply, and none of the client revenue will derive from activities in the exclusions.

The 90 per cent revenue test will require commercial interpretation by the Group as some entities do not report on this basis[35]. For avoidance of doubt, the Group does not include Eligible Transition Activities under Sustainable Business Financing.



5.1 Evaluation and selection

For Sustainable Business Financing, the Group reviews a client's revenues to determine if 90 per cent or more of their revenues are aligned to the Eligible Green Activities or Eligible Social Activities within the Framework. This will be done practically through reviewing the client's annual reporting and accounts together with any additional information on client revenues that the Group has access to through its client relationship.

The Group may include general purpose lending as Sustainable Business Financing where there is an objective and robust rationale to justify this. In this context, there are three clearly defined business types which are currently eligible under Sustainable Business Financing:

- UK-registered social housing providers
- UK publicly funded universities (i.e. excluding private universities) where the Tuition Fee Loans and means tested Maintenance Loans are available for UK students (or free tuition fees for Scottish undergraduates)
- NHS General Practice surgeries

Financing eligible for Sustainable Business Financing categorisation is typically in the form of general purpose loans although it can also be Use of Proceeds or Sustainability-linked financing. For reporting purposes, the Group will classify and report the relevant financing transaction once, based on the most appropriate classification, to avoid double counting. **See Section 2.3 Process** for classifying the category of finance and **Section 8 Product scope and reporting basis**.

35 Using Social Housing as an example, the sale of properties in any year by a Registered Provider of Social Housing could be >10 per cent of revenues. In such circumstances the Group would not exclude (as Sustainable Business Financing) a loan to said Registered Provider of Social Housing providing revenues were otherwise >90 per cent generated from Eligible Social Activities.

6.

Transitioning Entity Financing assessment process

The Group considers that transition finance – including Use of Proceeds (Eligible Transition Activities) and Transitioning Entity Financing – enables capital to flow to clients in hard-to-abate sectors and/or with high-emitting activities that have demonstrable plans to decarbonise[36].

By providing finance to these clients, the Group aims to:

- Accelerate real-economy decarbonisation by incentivising clients to have transition plans and robust implementation actions in line with a just transition
- Support clients to manage transition risks, maintain competitiveness and unlock opportunities in emerging low carbon markets
- Reduce the Group's financed emissions over time, in line with the Group's net zero ambitions and sectoral targets
- Enhance transparency and accountability, reducing greenwashing risk and supporting market integrity

36 Entity-level assessments are not appropriate within the Group's Consumer business unit

Alignment with Transition Finance Council Transition Finance Guidelines

For determining the Transitioning Entity Financing category, the Group has designed an assessment process that aligns with the Transition Finance Council's Transition Finance Guidelines: Exposure draft, published March 2026 (TFG). These Guidelines build on the Transition Finance Market Review and the transition plan disclosure framework guidance of the Transition Plan Taskforce (TPT), which is now reflected in the ISSB's sustainability standards.

The TFG emphasise that entity-level transition finance should be grounded in four principles:

1. **Credible Ambition.** A transitioning entity should demonstrate credible ambition through clear, science-aligned mid- and long-term emissions reduction targets that are appropriate for its sector and region.
2. **Action into Progress.** The entity should demonstrate that concrete actions are already underway with evidence of capital allocation plans in line with mid- and long-term emissions reductions targets.
3. **Transparent Accountability.** Transition plans should be fully integrated into governance, processes and reporting, providing transparency over decision making, responsibilities and performance against targets. Achievement of targets is ideally linked to management's compensation.
4. **Addressing Dependencies.** The entity should identify and evaluate material external dependencies (e.g., policy, technology, market, supply chain constraints) and incorporate these into a realistic, deliverable transition pathway.

6.1 Approach for CIB clients

Assessment process for eligibility of Transitioning Entity Financing

To determine classification and labelling of Transitioning Entity Financing under this Framework, the Group operates a Transition Finance Eligibility Questionnaire that delivers a binary assessment of alignment with the TFG.

This assessment:

- Converts TFG principles and expectations into a binary yes/no criteria, enabling a clear "include/exclude" recommendation for Transitioning Entity Financing classification
- Ensures decisions are consistent, transparent, and fully aligned with emerging standards in the market

The assessment process is conducted by a team of internal sustainability subject-matter specialists, who assess relevant and publicly available client materials.

This assessment is used alongside the Group's Client Transition Plan assessment methodology which supports eligibility decisions and deeper client insight with a maturity-based assessment.

Use of the Group's Client Transition Plan (CTP) assessment methodology

The Group deploys the Client Transition Plan (CTP) assessment methodology to deliver enhanced due diligence, where appropriate. This maturity-based assessment was developed in line with the TPT's transition plan disclosure framework guidance (now reflected in ISSB sustainability standards IFRS S1 and S2) and is updated annually to reflect market good practice and changes in market standards or guidance.

The CTP methodology consists of qualitative questions based closely on the recommendations of the Transition Finance Council's Guidelines (Exposure draft, March 2026) and is currently applied to over 100 of the Group's largest corporate clients. Each question is scored across four levels of maturity, covering the organisation's ambition, action, accountability, dependencies, and disclosure.

The CTP assessment methodology does not provide a binary decision point. The Group designed the methodology as a client engagement tool that builds the foundation for better understanding risks and opportunities related to transition strategies.

6.2 Approach for BCB clients

Small and medium-sized enterprises (SMEs) are critical to a just and resilient transition, supporting innovation, jobs, and local economies across sectors.

For SMEs, the Group applies the same Transitioning Entity Financing processes set out in Section 6, applying proportionality where appropriate. This proportionality may include, but not be limited to, the following adaptations:

- Ambition can be evidenced in a manner proportionate to the client's size and sector, for example a documented action plan with timings that is material to the client's transition in context to their sector rather than a public transition strategy
- Tailored assessment of transition ambition and progress
- Proportionate expectations for data and disclosure, reflecting sector and size

More details can be found in the Sustainability Report on the Group's website here:

→ **ESG policies – Lloyds Banking Group plc**

7. Governance and Risk management

7.1 Governance

The Group's structure provides clear oversight and ownership of its sustainability strategy and management of sustainability-related risks across the Group's three lines of defence.

For more details on the Group's Three Lines of Defence model, please see the latest Annual Report, found here **Financial downloads – Lloyds Banking Group plc**.

7.2 Environmental and social risk management

Effective risk management is fundamental to the Group's strategy. The Group has established risk identification processes and controls designed to support the consistent classification and reporting of sustainable and transition finance products and propositions in accordance with this Framework.

Risks are managed in established risk systems, ensuring that controls are in line with the Group's existing risk management frameworks and are regularly reviewed and attested to by risk owners. These controls are embedded within existing documented business processes, including appropriate allocation of roles and responsibilities for reviewing and validating sustainable financing and transition financing.

The Group's External Sector Statements detail 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 and credit decisioning process, ensuring decisions reflect, amongst other factors, both ESG-related risks and their financial implications. The Group's external sector statements can be found here: **ESG policies and downloads**.

8. Product scope and reporting basis

Table 1 captures the list of products within the scope of this Framework and those products referred to in **Section 2 Approach to qualifying finance** under the Framework which are included in the sustainable financing and transition financing reporting under this Framework as at the date of the most recent review.

Although the Group currently offers Use of Proceeds and sustainability-linked derivative products (Rates and FX), these are not included in the product scope table and will not therefore contribute towards the Group's sustainable financing and transition financing reporting.

The Group will continue to develop products in line with market standards and consider including them in future iterations of the Framework. These products are also required to undergo the same assessment process as set out in this Framework for inclusion in associated reporting.

8.1 Financing products in scope of the Framework

Table 1: Financing products in scope of the Framework

Business entity	Business area	Product	Product description	Reporting basis
CIB & BCB	Capital markets	Green bonds including private placements	Use of Proceeds bonds See definition as per Use of Proceeds in Section 3	Where the Group facilitates (has an active or passive role on) a third-party bond or private placement[37], the Group will include its pro-rata share of the bond size (£'m)
		Social bonds including private placements		
		Sustainability bonds including private placements		
		Transition bonds including private placements		
		Sustainability-linked bonds including private placements	See definition as per sustainability-linked financing in Section 4	The Group includes gross lending limits of new lending. Corporate Lending examples include Term Loans, Revolving Credit Facilities, Overdrafts, Invoice Financing/Factoring, Asset Finance, Project Finance, Structured Finance, Trade finance and Committed Contingent Liabilities. **Inclusions** The Group includes in reported numbers: • Re-financing of loans to clients where the maturity date is extended by more than 12 months • The incremental lending amount where an existing loan/facility is being increased • The Day 1 limit booked for loan underwriting • The Day 1 commitment, where the Group has structured, arranged and facilitated lending for a third-party non-bank e.g., private placement **Exclusions** The Group excludes: • Uncommitted facilities until they become committed, issued or drawn • Derivatives • 'SLL-ready' transactions Exceptions will be reviewed via the SAEF and noted as exceptions for year-end divisional and/or Group governance sign-off and explicitly flagged for review to the Group's limited assurance provider.
	Lending and working capital	Green lending and working capital – Use of Proceeds	See definition as per Use of Proceeds in Section 3	
		Social lending and working capital – Use of Proceeds	See definition as per Use of Proceeds in Section 3	
		Transition lending and working capital – Use of Proceeds	See definition as per Use of Proceeds in Section 3	
		Sustainability-linked lending and working capital	See definition as per sustainability-linked financing in Section 4	
		Sustainable Business Financing	See definition as per Sustainable Business Financing in Section 5	
Consumer	Homes	Green lending – Use of Proceeds	See definition as per Use of Proceeds in Section 3	New mortgage lending on new and existing residential property. Further advances and Unsecured Lending for assets that fall within the Green Eligibility Criteria.
		Transition lending – Use of Proceeds	See definition as per Use of Proceeds in Section 3	New lending for secured mortgages includes further advances.
	Transport	Green lending – Use of Proceeds	See definition as per Use of Proceeds in Section 3	Gross new lending advances for Black Horse and operating leases for Lex Autolease and Tusker, covering cars and vans.

37 Deals are not included in the Group's reporting under this Framework where the Group is acting as co-manager. Bonds issuance by the Group are also excluded.

Product scope and reporting basis continued

8.2 Legal Entities

The following entities are in scope of the Framework:

- Black Horse Offshore Ltd
- Lloyds Bank Corporate Markets plc

Business and Commercial Banking and Corporate and Institutional Banking:

- Bank of Scotland plc
- Lloyds Bank GmbH
- Lloyds Bank plc
- Lloyds Bank Corporate Markets plc
- Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH
- Lloyds Securities Inc
- The Agricultural Mortgage Corporation plc

Consumer Lending:

- Bank of Scotland plc (Halifax, Bank of Scotland, Birmingham Midshires, Intelligent Finance)
- Black Horse Ltd
- Lex Autolease Ltd
- Lloyds Bank GmbH
- Lloyds Bank plc (Lloyds Bank, Scottish Widows Bank)
- Tusker Ltd

Scottish Widows direct lending is not currently in scope of the Framework.

9. Framework reviews

The Framework will be reviewed at least annually to ensure it stays aligned with industry standards, regulatory requirements and good practice. The Group will endeavour to keep the Framework fit for purpose by monitoring internal business changes and external environment changes with assistance from external partners where appropriate.

The materiality of any such developments is assessed by relevant business units, and recommendations made to the Group's established Group Sustainability Committee, which is responsible for deciding whether an update to the Framework is required in addition to, or as part of, the annual review process.

The Group's externally reported sustainable and transition finance progress is subject to limited assurance as part of the Group's annual external audit.

9.1 Second-Party Opinion

The Group appointed DNV to provide an independent Second-Party Opinion (SPO) on the Framework.

The SPO confirms the Framework's alignment to the Green Loan Principles 2025, the Social Loan Principles 2025, the Guide to Transition Loans 2025, Transition Loan Principles 2025 and the Sustainability-Linked Loan Principles 2025, all as published by the LMA, as well as ICMA's Green Bond Principles 2025, Social Bond Principles 2025, Sustainability Bond Guidelines 2021, Sustainability-Linked Bond Principles 2024, Climate Transition Finance Handbook 2025, and Climate Transition Bond Guidelines 2025.

A copy of the SPO can be found on the Group's website here:

→ **ESG policies – Lloyds Banking Group plc**

10. Disclaimer

The Group notes that there is currently no global framework or taxonomy, or consistently applied legal or regulatory definition, as to what constitutes an 'ESG' (Environmental, Social, or Governance), 'Green', 'Social', 'Sustainable', 'Transition', or equivalent labelled product, or as to what precise attributes are required for a particular product, investment, or asset to be defined as 'ESG', 'Green', 'Social', 'Sustainable', 'Transition', or with an equivalent label, nor can any assurance be given that such a clear global definition or consensus will develop over time.

The Group is providing this Framework in part to assist its customers, potential customers, and other third parties regarding the Group's own current position in view of the possibility of different interpretations of these terms, as they develop over time.

Any information contained or referred to herein, in relation to any actual or potential ESG objective, issue or consideration is not intended to be relied upon for classification purposes of the EU Sustainable Finance Disclosures Regulation, EU Taxonomy Regulation, UK Sustainability Disclosure Requirements, UK Sustainability Reporting Standards, or equivalent sustainability regulation regimes, each as may be amended from time to time (Sustainability Regulation Regimes).

While the Group has obtained information from sources considered to be reliable, the Group provides no representation that any third-party ESG information or data is accurate or complete, or that it has (itself or via a third party) taken any steps to verify such information or data. Accordingly, the Group does not accept any liability whatsoever for any direct, indirect, or consequential loss arising from any actions or inactions undertaken in reliance on third-party information or any other content contained herein or in relation to determinations made under the Sustainability Regulation Regimes by investors, users and other relevant persons.

Investors, users, and other relevant persons are reminded that differences in interpretation are possible. Different persons (including third-party data providers, investors and other financial institutions) may apply different interpretations, standards and criteria, including through use of internal methodologies, and arrive at different conclusions. Investors, users and other relevant persons are advised to obtain their own independent financial, legal, regulatory, tax or other advice as necessary to make their own investment decision as to whether a product, investment or asset meets their ESG needs, including ESG performance, ESG alignment and alignment to or compliance with any regulatory regime (including, without limitation, the Sustainability Regulation Regimes).

No offer of securities or investments

The information, statements and disclosure herein do not constitute a public offer under any applicable legislation, an offer to sell or solicitation of any offer to buy any securities or financial instruments, or any advice or recommendation with respect to such securities or other financial instruments.

This Framework, the information, statements and disclosure included in this Framework are not formally part of any offering documents and are not contractually binding. The Framework is not intended to form part of any communication of any offering issued under this Framework and it is not a prospectus for the purposes of the Public Offers and Admissions to Trading Regulations 2024 and investors should not make any investment decisions based on the information included in this Framework.

11. Glossary of terms

In the main body of this Framework, terms can be both singular and plural, regardless of whether the definition here refers to the singular or plural term.

Glossary of terms

Term	Description
Asia Pacific Loan Market Association (APLMA)	The APLMA is a trade body established to promote growth, liquidity and best practice in the loan markets in Asia Pacific.
Bookrunner	A bookrunner is the lead bank appointed on a bond issuance to manage the marketing, pricing, orderbook building, documentation coordination, and allocation process, serving as the central point of communication between the issuer and the investor market.
Business and Commercial Banking (BCB)	Business & Commercial Banking is a business unit within the Group that serves the financial needs of small and medium-sized UK businesses (SMEs), as well as businesses in selected sectors. This is achieved through a portfolio of specialised products that cover business loans, transactional banking and working capital.
Carbon Capture, Usage and Storage (CCUS)	A technology that can capture and make effective use of the high concentrations of CO_2 emitted by industrial activities.
Clean Growth Financing Initiative (CGFI)	CGFI is an initiative within the BCB and CIB businesses within the Group to provide discounted lending for new/additional green investment and capital expenditure and help British businesses reduce adverse environmental impacts including associated with water, waste and energy usage/greenhouse gas emissions.
Client	References to client in this Framework refer to a client of the Group. A client may be a borrower of a loan provided by the Group or an issuer of a bond facilitated by the Group.
Client Transition Plan (CTP)	A CTP sets out how a client intends to deliver against their sustainability ambitions and transition their business model consistent with a low carbon economy. The Group assesses the client transition plans of its clients to support engagement and financing decisions. CTP assessments are used to identify where clients may need support to achieve their decarbonisation ambitions and to understand where the Group can act as trusted advisers, and seek out financing opportunities that can help drive a real-economy transition.
Climate Bonds Initiative (CBI) Taxonomy	Climate Bonds Initiative (CBI) is an international organisation working to mobilise global capital for climate action through the development of the Climate Bonds Standard and Certification Scheme, policy engagement and market intelligence work. It identifies the assets and projects needed to deliver a low carbon economy and gives GHG emissions screening criteria consistent with a 2-degree centigrade global warming threshold set by the United Nations Framework Convention on Climate Change (UNFCCC) COP21 Paris Agreement.
Climate Transition Bond (CTB)	A Use of Proceeds bond, issued in accordance with ICMA's Climate Transition Bond Guidelines.
Climate Transition Bond Guidelines (CTBG)	The Climate Transition Bond Guidelines (November 2025), developed and published by ICMA: • introduce a standalone Climate Transition Bond (CTB) label for Use of Proceeds bonds designed to help finance or refinance critical projects for achieving the goals of the Paris Agreement, especially from those in high-emitting sectors and/or with high-emitting activities; and • make recommendations for high-emission issuers of climate transition-themed sustainability-linked bonds.
Climate Transition Finance Handbook (CTFH)	The Climate Transition Finance Handbook (November 2025), developed and published by ICMA, seeks to provide clear entity-level guidance and common expectations to capital markets participants on the practices, actions, and disclosures to be made available when raising funds in debt markets for climate transition-related purposes.
Consumer Lending	Consumer Lending is the business unit within the Retail division of the Group that serves the financial needs of our personal customers with mortgages, credit cards, personal loans and motor finance.

11.0 Glossary of terms continued

Glossary of terms continued

Term	Description
Corporate and Institutional Banking (CIB)	Corporate and Institutional Banking is a business unit within the Group which looks after the financial needs of clients in the UK and internationally, generally with a turnover of £500m or higher, as well as businesses in selected sectors.
Eligible Activities	Eligible Green Activities, Eligible Transition Activities and/or Eligible Social Activities, as the case may be, as set out in Section 3.
Eligibility Criteria	The Green Eligibility Criteria, the Transition Eligibility Criteria, and the Social Eligibility Criteria as set out in Section 3.
Eligible Green Activity/Activities	An activity/activities that meet the relevant Green Eligibility Criteria as detailed in Section 3.
Eligible Social Activity/Activities	An activity/activities that meet the relevant Social Eligibility Criteria as detailed in Section 3.
Eligible Transition Activity/Activities	An activity/activities that meet the relevant Transition Eligibility Criteria as detailed in Section 3.
Energy Performance Certificate (EPC)	An EPC measures how energy efficient a property is on a scale of A-G (with 'A' being the most efficient grade). A Commercial EPC is required for a commercial building when it is constructed, sold, or let. The EPC Certificate gives information about the energy efficiency of the building to owners, prospective buyers, and tenants.
Environmental, Social and Governance (ESG)	Environmental, Social, and Governance factors which may be considered by investors and other stakeholders in measuring and evaluating a company's long term risk profile, resilience and value creation potential. • Environmental factors include impacts or dependencies on the natural environment. • Social factors include relationships with people and society including the rights, wellbeing and interests of people and communities. • Governance factors include the policies or practices by which a company is directed, controlled and held accountable.
External Sector Statements	The Group's sector statements, guided by international conventions, national legislation and leading industry standards, detail the Group's cross-sector and sector-specific criteria for managing environmental and social risks, ensuring credit decisions reflect ESG-related risks and their financial implications. The Group's frameworks and external sector statements can be found here **Sustainability policies and information – Lloyds Banking Group plc**.
EU Sustainable Finance Disclosures Regulation (SFDR)	The EU SFDR (Regulation (EU) 2019/2088), as amended and/or supplemented from time to time, requires in-scope financial market participants and advisers to disclose how they integrate sustainability risks and consider ESG impacts in investment decisions.
EU Taxonomy for Sustainable Activities	The EU Taxonomy Regulation (Regulation (EU) 2020/852), as amended and/or supplemented from time to time, which sets out a taxonomy i.e. classification system for economic activities to be classified as environmentally sustainable.
Framework	This document sets out Lloyds Banking Group's Sustainable and Transition Financing Framework. This Framework has been designed as a methodology for classifying whether certain financial products and services offered by the Group may be described as "sustainable" or as "transition" for the purpose of assessing the amount of sustainable finance and transition finance which the Group has provided to clients and customers, and reporting performance against the Group's sustainable finance targets (2024 -2026) and subsequently the Group's sustainable and transition finance targets (2027-2030).

11.0 Glossary of terms continued

Glossary of terms continued

Term	Description
GHG	Greenhouse gas(es)
Green Bonds	Green Bonds are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible green projects and which are aligned with the four core components of the ICMA's Green Bond Principles.
Green Bond Principles (GBP)	The Green Bond Principles (GBP) (June 2025), developed and published by ICMA, are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond.
Green Eligibility Criteria	The criteria for classifying an eligible activity as green as set out in Section 3.
Green Finance Institute (GFI)	The Green Finance Institute (GFI) is a UK based, independent organisation working with governments internationally and partnering with financial institutions, corporates, NGOs, policymakers, academics, and civil society experts, to create and scale innovative solutions that deliver practical outcomes for communities and economies.
Green Home Finance Principles	Published by the UK's Green Finance Institute, the Green Homes Finance Principles (September 2020) are a UK industry-recognised framework of market standards and guidelines.
Green Loans	Green Loans are loans where the proceeds of the loan are exclusively applied to finance or refinance eligible green projects and which are aligned to core components of the Green Loan Principles.
Green Loan Principles (GLP)	The Green Loan Principles (March 2025), developed and published by the LMA, APLMA, and LSTA, are voluntary recommended guidelines which aim to promote the development of the green loan product by providing a framework of market standards and guidelines for use across the green loan market, while allowing the loan product to retain its flexibility and seeking to support integrity in development of the green loan market.
Group	Group means the group of companies including Lloyds Banking Group plc and all of its direct and indirect subsidiaries.
Guide to Transition Loans	The Guide to Transition Loans (October 2025), developed and published by the LMA, APLMA, and LSTA.
International Capital Markets Association (ICMA)	The International Capital Markets Association (ICMA) is a trade association for the international capital market with over 600 member firms from 66 jurisdictions globally, including issuers, banks, asset managers, central banks, infrastructure providers and law firms.
International Sustainability Standards Board (ISSB)	The ISSB is a global standard-setting body that develops investor focused sustainability disclosure standards, including IFRS S1 and S2 to provide a consistent baseline for reporting sustainability-related financial information.
Key Performance Indicator (KPI)	Key performance indicators (KPIs) are quantifiable measures that gauge a product, individual or company's performance against a set of targets, objectives or industry peers.
Limited Assurance	Limited assurance is the baseline level of assurance, wherein an independent auditor obtains 'sufficient and appropriate evidence', limiting assurance to specific aspects of the Group's Sustainability Report. Limited assurance provides a lower level of assurance than reasonable assurance, is usually less costly, and is the most common type of assurance that large companies voluntarily get for ESG data, including climate-related information. Limited assurance is most appropriate in situations where the risk of a material misstatement would be low and the cost of obtaining reasonable assurance too high.
Loan Market Association (LMA)	The LMA is a market-led body that promotes growth in sustainable lending practices and supports the syndicated loan market as new sustainable finance regulations emerge.
Loan Syndications and Trading Association (LSTA)	The LSTA is a trade body established to enhance the development and operation of the North American syndicated loan market.
Second-Party Opinion (SPO)	A Second-Party Opinion (SPO) is an independent, point-in-time analysis of a sustainable finance instrument, programme, or framework which provides investors with assurance that the instrument is aligned to accepted market principles and standards.

11.0 Glossary of terms continued

Glossary of terms continued

Term	Description
Social Bonds	Social Bonds are any type of bond instrument where the proceeds, or an equivalent amount, will be exclusively applied to finance or re-finance in part or in full new and/or existing eligible social projects and which are aligned with the four core components of the Social Bond Principles.
Social Bond Principles (SBP)	The Social Bond Principles (SBP) (June 2025), developed and published by ICMA, are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Social Bond market by clarifying the approach for issuance of a Social Bond.
Social Eligibility Criteria	The criteria for classifying an eligible activity as social as set out in Section 3.
Social Loan Principles (SLP)	The Social Loan Principles (SLP) (March 2025), developed and published by the LMA, APLMA, and LSTA, are voluntary recommended guidelines which aim to promote the development of the social loan product by providing a framework of market standards and guidelines for use across the social loan market, while allowing the loan product to retain its flexibility and seeking to support integrity in development of the social loan market.
Standard Assessment Procedure (SAP)	Refers to the process of calculating and determining the energy performance of residential buildings.
Sustainability Asset Eligibility Forum (SAEF)	The Sustainability Asset Eligibility Forum (SAEF) is a Group internal governance forum that reviews, interprets and provides support or recommendation on the eligibility, structure and reporting treatment of the Group's sustainable and transition lending and financing activity, ensuring alignment with the Group's Sustainable and Transition Financing Framework and regulatory expectations.
Sustainability Bonds	Sustainability Bonds are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance a combination of both green and social projects. Sustainability Bonds are aligned with the four core components of both the GBP and SBP with the former being especially relevant to underlying green projects and the latter to underlying social projects.
Sustainability Bond Guidelines (SBG)	The Sustainability Bond Guidelines (SBG) (June 2021), developed and published by ICMA, are voluntary process guidelines for issuance of Sustainability Bonds where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance a combination of both green and social projects.
Sustainability-linked	Sustainability-linked products are Sustainability-Linked Bonds and Sustainability-Linked Loans that provide financing that incentivise improved sustainability performance.
Sustainability-Linked Bonds (SLBs)	Sustainability-Linked Bonds (SLBs) are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined sustainability/ESG objectives.
Sustainability-Linked Bond Principles (SLBP)	The Sustainability-Linked Bond Principles (SLBP) (June 2024), developed and published by ICMA, are voluntary process guidelines that are intended for use by market participants, outline best practices for financial instruments to incorporate forward looking ESG outcomes, and promote integrity in the development of the SLB market by clarifying the approach for issuance of an SLB.
Sustainability-Linked Loans (SLLs)	Sustainability-Linked Loans for the purposes of this Framework are types of loan instruments originated by BCB and CIB which incentivise the client's achievement of ambitious, predetermined sustainability performance objectives, subject to certain limited exceptions.
Sustainability-Linked Loan Principles (SLLP)	The Sustainability-Linked Loan Principles (SLLP) (March 2025), developed and published by the LMA, APLMA, and LSTA, are voluntary recommended guidelines which aim to promote the development of the sustainability-linked loan product by providing a recommended framework to articulate the fundamental characteristics of SLLs.
Sustainability Performance Targets (SPTs)	Sustainability Performance Targets are the measures, typically annual, to be achieved by a client in respect of each KPI.
Sustainable	For the purposes of this Framework, 'sustainable' typically refers, in the context of the Group's financing, to financing products which the Group categorises as 'sustainable' under the Framework, in alignment with recognised market standards, taxonomies and the Group's sustainability objectives, including supporting climate mitigation, adaptation, nature, social inclusion and economic resilience.
Sustainable Bond Framework (SBF)	The Group's Sustainable Bond Framework is a separate document which defines the eligibility criteria for bonds issued by the Group to be described and reported as sustainable: **ESG policies and downloads – Lloyds Banking Group plc**.

11.0 Glossary of terms continued

Glossary of terms continued

Term	Description
Sustainable Business Financing	Sustainable Business Financing products are products that provide financing and/or refinancing to a business which has 90 per cent or more of its revenue generated from Eligible Green Activities and/or Eligible Social Activities. Alternatively known as 'Pure-Play'. Subject to certain limited exceptions
Sustainable Development Goals (SDGs)	The United Nation's collection of 17 interlinked goals for sustainable development, created by the United Nations General Assembly in 2015, are designed to serve as a shared blueprint for peace and prosperity for people and the planet.
Sustainable and transition finance target	Targets set by Lloyds Banking Group in relation to sustainable financing and transition financing
Taskforce on Inequality and Social-related Financial Disclosures (TISFD)	The Taskforce on Inequality and Social-related Financial Disclosures (TISFD), launched in September 2024, is a global initiative to develop recommendations and guidance for businesses and financial institutions to understand and report on impacts, dependencies, risks, and opportunities related to people.
Three Lines of Defence	The Group adopts a Three Lines of Defence model of risk governance. For more details, please see the latest annual report: **Financial downloads – Lloyds Banking Group plc**
Transition	For the purposes of this Framework, transition refers, in the context of the Group's financing, to financing products which the Group categorises as 'transition' in alignment with recognised market standards, taxonomies, and the Group's transition objectives.
Transition Eligibility Criteria	The criteria for classifying an eligible activity as transition as set out in Section 3.
Transitioning Entity Financing	Financing provided to an entity that does not yet meet the criteria for Sustainable Business Financing but has a demonstrable transition strategy as set out in the Transition Finance Council Transition Finance Guidelines (Exposure draft, March 2026). This includes financing to entities operating in emissions-intensive or environmentally significant sectors that demonstrate commitment to a science-aligned transition pathway through clear governance, transition planning, capital allocation, performance targets and disclosure, assessed in line with the Group's Transition Eligibility Criteria.
Transition Finance Guidelines (TFG)	The Transition Finance Guidelines (TFG) (March 2026) are, at the time of publication, in exposure draft form. The TFG, created by the Transition Finance Council, are a voluntary framework consisting of a set of principles and factors which aim to create common minimum expectations for users to confidently distinguish what is and what is not credible transition finance.
Transition Finance Market Review (TFMR)	The Transition Finance Market Review was a review commissioned by the UK government which considered how the UK could scale transition finance with integrity and credibility. The TFMR's final report 'Scaling Transition Finance: Findings of the Transition Finance Market Review' was published in October 2024.
Transition Loan Principles (TLP)	The Transition Loan Principles (TLP) (October 2025) are, at the time of publication, in exposure draft form contained within the Guide to Transition Loans by the LMA, APLMA, and LSTA. The TLP provide a voluntary cross-jurisdictional framework to guide market participants in identifying and assessing the defining characteristics of a credible Use of Proceeds focussed transition loan.
Transition Plan Taskforce (TPT)	The Transition Plan Taskforce (TPT) was a UK-led initiative that developed global guidance for credible climate transition plans, now integrated into IFRS S2 disclosures by the ISSB.
UK Sustainability Disclosure Requirements (SDRs)	The UK SDRs encompass mandatory and forthcoming reporting standards, including the UK Sustainability Reporting Standards (UK SRS), FCA rules, and Companies Act 2006 obligations, aimed at improving transparency on sustainability and climate-related matters.
UK Sustainability Reporting Standards (SRS)	The UK Sustainability Reporting Standards are the UK-endorsed framework for sustainability and climate-related reporting, aligned with ISSB's IFRS S1 and S2 standards.
Use of Proceeds (UoP)	Use of Proceeds (UoP) products are financing products where the proceeds are used exclusively to finance or re-finance Eligible Green Activities, Eligible Transition Activities and/or Eligible Social Activities comprising activities that meet the Green Eligibility Criteria, Transition Eligibility Criteria and/or Social Eligibility Criteria, as the case may be, as set out in this Framework. Subject to certain limited exceptions.

Head office
33 Old Broad Street, London EC2N 1HZ
+44 (0)20 7626 1500
www.lloydsbankinggroup.com

Registered office
The Mound, Edinburgh EH1 1YZ
Registered in Scotland no. SC095000