Sustainability metrics basis of reporting

Lloyds Banking Group
Sustainability metrics basis of reporting 2025

Contents

About this report

As a Group, we have set several sustainability-related ambitions and targets and made pledges to support inclusion in our business and the decarbonisation of our business in line with limiting global warming to 1.5°C. Calculating and monitoring our metrics allows us to assess our progress against these ambitions, targets and pledges.

This document details the approach and scope applied to setting our sustainability-related ambitions and targets and making our pledges. We also outline how we measure our progress against them. It is the responsibility of the Group's management to ensure that appropriate procedures are in place to prepare our sustainability reporting in line with this document.

Intended users

The information provided as part of emissions reporting will be useful to the following groups:

- Internal stakeholders
- Lloyds Banking Group's third parties
- Customers and clients
- Investors and analysts
- Non-governmental organisations
- Governments and regulators

Assurance

The Group has obtained independent limited assurance over selected metrics and disclosures included within this report. Further details on Deloitte's limited assurance statement can be found on our sustainability downloads →

Overview

Our emission reduction ambitions

To support the clarity of reporting in 2025 we have formalised how the Group should use the terms 'ambitions', 'targets' and 'pledges' in reference to our sustainability strategy and reporting outputs. Ambitions guide our sustainability strategy and focus, representing the Group's desire to achieve a level of performance. They are usually longer term and broad in nature and can be supported by specific pledges and/or targets. To support the delivery of an ambition, we make specific pledges related to a specific action or particular outcome. The Group sets targets in line with external guidance and regulations (such as those issued by the former Net-Zero Banking Alliance; the Institutional Investors Group on Climate Change; the Net Zero Investment Framework; and the Companies Act/FCA Listing Rules), aligned to our ambitions, where a specific numerical target is calculated according to specific guidelines. Targets provide a measure to track progress towards achieving the ambition.

This section provides an overview of our ambitions, targets and pledges as at 31 December 2025.

1 From a 2018 baseline.
2 From a 2021/22 baseline.
3 From a 2018/19 baseline.
4 From a 2014/15 baseline.
5 From a 2018/19 baseline.
6 Water neutrality across our buildings, reducing our water consumption as much as possible, and offsetting the residual volume. Includes water consumption across our full operational estate.
7 From a 2019 baseline.
8 EPC, Energy Performance Certificate.

Key: Environment | Social

Overview of our ambitions, pledges and targets

Ambitions guide our sustainability strategy and focus, representing the Group's desire to achieve a level of performance. They are usually longer term and broad in nature and can be supported by specific pledges and/or targets.

- **Bank financed emissions** Reduce the carbon emissions we finance by more than 50% by 2030 on the path to net zero by 2050 or sooner[1]
- Reduce our supply chain emissions by 50% by 2030 on the path to net zero by 2050 or sooner[2]
- 45-55% women in executive roles by the end of 2030
- 19-22% Black, Asian and Minority Ethnic representation in executive roles by end of 2030
- Achieve net zero operations by 2030
- **Scottish Widows financed emissions** Align all our investments with the goals of the Paris Agreement, reaching net zero carbon emissions by 2050 or sooner
- 12% representation in senior management roles of colleagues with a disability
- 3.5-4% of Black heritage representation in executive roles by end of 2030

To support the delivery of an ambition, we make specific **pledges** related to a specific action or particular outcome.

- Reduce our direct carbon emissions by at least 90% by 2030[3]
- Maintain domestic travel carbon emissions below 50% of 2018/19 baseline
- Reduce operational waste by 80% by 2025 (legacy)[4]
- Reduce total energy consumption by 50% by 2030[5]
- Water neutrality by 2030[6] (new)
- Zero waste by 2030 (new)

We set **targets** in line with external guidance and regulations (such as those issued by the former Net-Zero Banking Alliance; the Institutional Investors Group on Climate Change; the Net Zero Investment Framework; and the Companies Act/Financial Conduct Authority Listing Rules), aligned to our ambitions, where a specific numerical target is calculated according to specific guidelines. Targets provide a measure to track progress towards achieving the ambition.

Sectors

- UK mortgages
- Aviation
- Commercial and residential real estate (C&RRE)
- Agriculture
- Retail motor (cars & light commercial vehicles)
- Oil and gas
- Road passenger transport
- Power generation
- Auto OEM
- Thermal coal

IIGCC/NZIF

- Halve the carbon footprint of our investments by 2030 on the path to net zero by 2050 or sooner[7]

Sustainable Finance & Investment

- Commercial Banking
- EPC A/B[7,8]
- Motor
- Scottish Widows discretionary investment in climate-aware strategies

FCA listing rules

- At least 40% of individuals on the Board are women
- At least one woman in one of the four senior positions on the Board
- At least one position on the Board is held by an individual from a minority ethnic background

Our environmental metrics

We have set ambitions and targets and made pledges across our Group to support the decarbonisation of our business in line with limiting global warming to 1.5°C.

In this section

Our emission reduction ambitions

Bank financed emissions

Work with customers, government and the market to help reduce the carbon emissions we finance by more than 50% by 2030 on the path to net zero by 2050[1] or sooner.

In addition to this absolute financed emissions ambition the Bank has published targets for 10 sectors.

For further details on how we have calculated our Bank financed emissions and details of our sector targets see **page 08.**

Scottish Widows financed emissions

Align all our investments with the goals of the Paris Agreement, reaching net zero emissions by 2050 or sooner. In addition to this ambition, Scottish Widows has set a target to halve the carbon footprint[2] of our investments by 2030[3].

For further details on how we have calculated our Scottish Widows' financed emissions see **page 34.**

Supply chain

Reduce the carbon emissions we generate through our supply chain by 50% by 2030 on the path to net zero by 2050 or sooner[4].

For further details on how we have calculated our supply chain emissions see **page 41**.

Own operations

Achieve net zero carbon own operations by 2030.

To support our own operations ambition, we have made five pledges.

For further details on how we have calculated our own operations emissions, see **page 37.**

Our financed emissions basis of reporting is designed in line with the industry standard for calculating financed emissions developed by the Partnership for Carbon Accounting Financials (PCAF). We refer to Financed Emissions – the Global GHG Accounting and Reporting Standard as the PCAF standard (part A).

Read the PCAF standard (part A) in The Global GHG Accounting and Reporting Standard for the Financial Industry.

An updated PCAF standard (part A) was published in December 2025. The Group's 2025 Financed emissions reporting is based on the guidance and asset classes in the 2022 version of the standards. We will review the updates to the standard and implications for our reporting in 2026.

Our supply chain and operational emissions basis of reporting is aligned to the Greenhouse Gas (GHG) Protocol.

Our scope 3 emissions coverage

Our scope 3 emissions accounting and reporting principles are aligned to the Corporate Value Chain (Scope 3) Accounting and Reporting Standard issued by the Greenhouse Gas Protocol.

Emissions reporting methodology for each category can be found in the sections below.

Read the GHG Protocol for calculating scope 3 emissions here →

1 From a 2018 baseline.
2 Carbon footprint is a measure of carbon intensity calculated as the absolute value of emissions related to an investment divided by the value of the investment.
3 From a 2019 baseline.
4 From a 2021/2022 baseline.

Our scope 3 emissions coverage

Category	Description	Reporting methodology
Category 1	Purchased goods and services	**Page 41** Supply chain methodology
Category 2	Capital goods	**Page 41** Supply chain methodology
Category 3	Fuel- and energy-related activities	**Page 37** Own operations methodology
Category 4	Upstream transportation and distribution	**Page 41** Supply chain methodology
Category 5	Waste generated in operations	**Page 37** Own operations methodology
Category 6	Business travel	**Page 37** Own operations methodology
Category 7	Employee commuting	**Page 37** Own operations methodology
Category 8	Upstream leased assets	Relevant. We consider ourselves to be in operational control of all sites where we are the lessee (to a third-party landlord) and thus account for these emissions in scope 1 and 2. In relation to our supply chain emissions, emissions associated with upstream leased assets are reported within category 1.
Category 9	Downstream transportation and distribution	We continue to review the process by which we would estimate emissions in this category. Further work is required to refine methods and estimates before we can disclose this category.
Category 10	Processing of sold products	Not relevant. This would account for emissions from the processing of sold intermediate products by non-operationally controlled parties subsequent to sale by the Group (Corporate Value Chain (Scope 3) Accounting and Reporting Standard, Chapter 05, page 47) → The Group does not produce products that require further emissions activities to occur prior to consumption, as its products are centred on monetary transactions.
Category 11	Use of sold products	We continue to review the process by which we would estimate emissions in this category.
Category 12	End-of-life treatment of sold products	We continue to review the process by which we would estimate emissions in this category.
Category 13	Downstream leased assets	Relevant. We currently capture emissions from our operational leases associated with our Retail motor leasing business in our Category 15 Investments (bank financed emissions), which are reported as a combined total along with our Retail motor financing financed emissions. Further work is required for other areas of the business.
Category 14	Franchises	All Lloyds Banking Group brands are incorporated within our direct operational control and thus reported within other values.
Category 15	Investments	**Pages 08 to 36** Group financed emissions to Scottish Widows

Our environmental metrics continued

Our emission reduction ambitions continued

Governance

The models we have developed to calculate our financed emissions and our own operations' emissions are subject to a governance process that includes input from model users and peer review from external consultants and senior stakeholders across our businesses and functions, in line with the Group's three lines of defence model, with dedicated teams in place focused on methodology. Roles and responsibilities will differ in some areas between divisions and entities, reflecting our Group structure.

The following governance process applies to the reporting and disclosure of our financed emissions and own operations' emissions:

- Divisional and functional-level climate and sustainability steering groups or committees
- Group Sustainability Committee (formerly known as the Group Net Zero Committee)
- Responsible Business Committee
- Audit Committee
- Insurance Board (Scottish Widows-related matters only)

Further details on the role of these committees and groups can be found within the How we deliver section of the sustainability report →.

Our supply chain emissions are calculated by external consultants. The model and calculations are reviewed internally.

The following governance process applies to the reporting and disclosure of our supply chain emissions:

- Group Sourcing and Supplier Management Executive Committee
- Group Sustainability Committee
- Responsible Business Committee
- Audit Committee

Control

There is a defined control framework which forms an integral part of our overall calculation and reporting process to ensure associated risks are monitored and controlled. This includes alignment to the PCAF methodology and reporting principles, as well as the Group's Climate Risk Policy, Climate Library Risk and associated controls.

PCAF is an international industry-led initiative to measure and disclose the GHG emissions associated with financial activities and is recognised as the most widely adopted global standard for measuring financed emissions by the financial sector.

Our environmental metrics continued

Our emission reduction ambitions continued

Boundary of our reporting and recalculation approach

Sustainability reporting covers the Group including our subsidiaries. We do not currently consider our share of emissions for our joint ventures and associates.

Aligning to GHG Protocol, if a business is acquired as a subsidiary during the year, the business will be included in the Group's emission reporting from the date of acquisition. Where there are limitations in including an acquired entity due to factors such as data availability, these exclusions will be specifically stated in the relevant emission disclosure. If the Group divests of a business during the year, that business will be included in the Group's reporting up until the date of disposal.

In 2025, Schroders Personal Wealth (SPW) became a fully owned subsidiary of Lloyds Banking Group. SPW is excluded from financed emissions calculations and net zero targets due to previous lack of direct control. We will review and define an appropriate approach for SPW assets under administration going forward.

The Group recognises that in order to allow for meaningful comparisons to be made between the current reporting year and the selected baseline year, it may be necessary to re-state disclosed emissions from time to time to reflect changes to scope, changes to external standards or where a more accurate method of calculating associated emissions becomes available. We will restate our baseline year and reported periods on a materiality basis under the following circumstances:

- **Changes in boundaries:** Any change in organisational or operational boundary or structural changes
- **Additional asset classes:** Inclusion of additional asset classes that were not included in the scope of the initial baseline due to materiality (at the time of initial calculation), lack of data availability or no methodology in existence
- **Change in methodology:** Amendments to industry guidance or practices e.g. PCAF updates
- **Data adjustments:** Increased data availability or quality, new data sources or changes in data classifications e.g. more companies reporting direct emissions, updates to previously published client or sector data or regulatory updates causing more homes to have energy performance certificates (EPCs) or improved data results in an improvement to the PCAF data quality score even if the financed emissions do not change
- **Discovery of significant error:** Discovery of a significant error, or a number of cumulative errors that are significant in aggregate

A material movement in a baseline or later period reported metric is a movement of over 5% of an absolute measure or of an intensity measure. We may elect to restate movements, in a baseline or later period reported metric, of less than 5%. We may elect to restate for less material movements for various reasons including aligning internally and externally reported emissions.

Where we re-state baseline year emissions (absolute or intensity) we do not update the associated target percentage reduction. The emissions metric (absolute or intensity) calculated by applying the target percentage reduction to the baseline would be updated. For sector targets calculated using the Sectoral Decarbonisation Approach (SDA) formula, this formula is applied at the time of target setting and is not applied with subsequent baseline restatements. The SDA formula will be applied again when the target is reviewed.

Calculation of emissions involves a degree of estimation which we consider in the context of the PCAF data quality scoring for financed emissions.

The calculation of emissions generated by our operations, supply chain and also our financed emissions, requires us to gather a large volume of data from numerous sources, using a mixture of manual and automated processes. The time required for both data capture and the governance process can mean that more up-to-date data may become available at any point after the data cut off point (which may be before assurance and/or publication of metrics).

The methodology and data used to calculate emissions and set targets continues to evolve, and we expect industry guidance, market practice and regulations to continue to change. Considering this, we will continue to refine our analysis using the most appropriate data sources and methodologies available for the sectors we report emissions for, including industry guidance such as PCAF, GHG Protocol, market practice and regulation. This may result in periodic updates to our methodology where needed to reflect real world decarbonisation and the latest developments in scenario pathways which drive our target setting.

Third-party use of carbon credits

It is important that, if used, carbon credits are deployed as part of science-aligned decarbonisation strategies and are not used as an alternative for abatement. Credits can be used to mitigate remaining residual emissions and can also support mitigation activities beyond a business' value chain. These activities can help support the transition at the pace and scale required, including associated environmental and social benefits. To provide clarity and transparency on our approach to carbon offsetting, we have set out a series of nine principles relating to carbon offsetting that the Group follows.

Full details are in the Group offsetting principles →

Within our own emissions calculations, our approach seeks to exclude the use of credits by third parties, noting that currently, emissions reported by some organisations may not provide the required level of granularity or transparency to allow this.

Group financed emissions

The following section relates to the Group's financed emissions. This includes our three core divisions: Retail, Commercial Banking (collectively referred to as the Bank) and Insurance, Pensions and Investments (Scottish Widows).

For details of the proportion of our assets, within the scope of the PCAF standard, for which we have calculated financed emissions please see our sustainability report →

In measuring and disclosing our GHG emissions financed by loans and investments, the Group has continued to apply the industry-led standard developed by PCAF. PCAF is now recognised as the most widely adopted global standard for measuring and accounting for scope 3 emissions by the financial sector, referred to here and across the industry as financed emissions.

The PCAF standard (part A) requires financial institutions to measure and report their GHG emissions using either the operational or financial control approach. The Group has adopted an operational control approach. As we do not have control over the operations of our customers that we are lending to or the companies we have invested in, the PCAF standard (part A) requires us to report our calculated financed emissions under scope 3 category 15 (investments) emissions.

We have adopted the guidance provided by the PCAF standard (part A) across material asset classes where published methodologies have been made available. PCAF requires the reporting of scope 1 and scope 2 emissions of borrowers and investees across all sectors.

We follow PCAF's suggestion to follow the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and only account for scope 3 emissions where relevant.

What emissions are covered?

Our Group financed emissions align with Category 15 – Investments per the GHG Protocol.

Our Group financed emissions are the scope 1 and 2 emissions generated from our investments or lending. Scope 3 emissions are reported separately for certain sectors, aligning to the PCAF standard (part A) phased approach. The phased approach requires reports published from 2025 to include scope 3 emissions for all sectors for certain asset classes. Lloyds Banking Group has published scope 3 emissions for most of its sectors, however, for some sectors scope 3 emissions are either not relevant or there is insufficient data. Each sector section includes details of the emissions coverage.

Group financed emissions

	Reported
Scope 1	Relates to emissions that a company or asset makes directly from owned or controlled sources, for example while running its boilers and vehicles.
Scope 2	Relates to emissions that a company or asset makes indirectly, for example when the electricity or energy it buys for heating and cooling buildings is being produced on its behalf. We use a location-based approach to calculate our financed emission targets and our reported financed emissions.
Scope 3	Includes all other indirect GHG emissions of the reporting company not included in scope 2 and can be broken down into upstream emissions that occur in the supply chain (for example, from production or extraction of purchased materials) and downstream emissions that occur because of using the organisation's products or services. The comparability, coverage, transparency and reliability of scope 3 data still varies by sector and data source. Where data allows, we seek to disclose our scope 3 emissions in line with PCAF guidance on required sectors for scope 3 emissions disclosure. Where this has not been possible this exclusion has been noted within the relevant sector methodology.

Attribution

Aligning to the PCAF standard, we have adopted an attribution factor at a single-client or asset-class level to measure our share of financed emissions. Where necessary, hierarchies of best-available data and approximations have been used to resolve certain data gaps. We have incorporated additional detail and explanation of the variations to our approach within the individual sector sections.

Reporting period

Financed emissions reporting uses latest available emissions factors and can lag behind our financial reporting period end. For example, our 2025 climate-related disclosures will disclose emissions based on our lending and investments position for the period ended 31 December 2024 using latest available emissions factors.

Our environmental metrics continued

Group financed emission continued

PCAF general data quality score card

We used a range of internal and external data sources to determine the scope 1, scope 2 and scope 3 (where applicable) emissions for each asset class. Where sourcing of emission data by client or by asset type was challenging, adaptations to our approach reflected the hierarchy of options outlined in the PCAF data scoring framework. This is in line with the PCAF approach of using top-down estimates derived from sector averages or using physical output where direct data was not available. We have calculated our average data quality scores across all business lines and sectors, using the classification found in PCAF guidance.

Broadly speaking, the lower the PCAF score, the more robust the data underlying the calculation. Over time we would expect our PCAF data quality score to improve as better data becomes available, for example from organisations improving the quality of their emissions reporting. However, we acknowledge for certain sectors there may be a limit in terms of how far the quality can improve due to factors outside of our control, for example government allowing access to grid consumption and smart meter data to improve our homes, and commercial and residential real estate PCAF score.

PCAF general data quality score card

Certain ⟷ Uncertain				
Score 01	Score 02	Score 03	Score 04	Score 05

Evolution of approach

We have continued to mature and refine our measurement of financed emissions across the Group. Progress has been made to extend the scope of our emissions baseline, refine our methodologies and improve data quality, recognising there is still more to do. This includes working in partnership with government, industry and policymakers to improve our approach and calculation estimates.

Further, we have continued to enhance our emissions calculation process, governance and controls via a Group-wide financed emissions framework, which follows the Group's three lines of defence model.

Known areas for enhancements and developments

Data quality, including precision, coverage, matching and recalculations, is one of the known areas for improvement. Climate data, models and methodologies are evolving and not yet at the same standard as more traditional financial metrics nor subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. Most of our data is collected from external sources and the quality and methodologies relating to the underlying data can be hard to assess. External sources then require mapping to the Group's internal data. Whilst we have set a framework that facilitates a robust matching process, it is likely that residual issues will remain, one example being mergers and acquisitions which can blur any recalculation of a starting point. When it comes to target setting, we will continue to monitor the development of best practice methodologies and credible scenarios, which we aim to incorporate at the point of target reviews.

→ Bank financed emissions

We follow PCAF methodology as the industry standard in the banking sector for quantifying and disclosing financed emissions for our on-balance sheet assets using the value of lending, which includes business loans, trade and receivables finance and project finance.

The methodology is applied both to estimate our baseline emissions used in target setting and our latest emissions to assess progress against our targets. Where relevant, we apply relevant sector-specific PCAF guidance. Where adjustments have been made to account for specific areas of the Group's portfolio, this is outlined within the methodology section of individual sectors.

Scope of our lending

We include lending as at the reporting date as in scope, and in line with PCAF methodology we do not consider off-balance sheet contingents and derivatives to be in scope. Where lending provided takes the form of revolving credit facilities which can include undrawn balances, we use the amount drawn at the reporting date for the purposes of our financed emissions reporting (not the maximum amount we are committed to finance under the facility).

Our current scope of lending includes revolving credit facilities and overdrafts but excludes credit card lending. Other activities such as savings and personal accounts are not included in our financed emissions calculations.

We have calculated and reported financed emissions for our sovereign bond holdings for the second year. These bonds are held as part of the Bank's liquidity portfolio. As the balances can vary significantly over time and there is limited potential to influence the emissions of the issuing nations, these emissions are not included as part of the Bank financed emissions baseline or ambition.

Scope of our financed emissions metrics

Within all our financed emissions metrics we include all GHGs (expressed as CO_2e) unless otherwise stated.

Our approach to the Bank's financed emissions ambition

We have a Bank ambition to work with customers, government and the market to help reduce the carbon emissions (scope 1 and 2) we finance by more than 50% by 2030 on the path to net zero by 2050 or sooner, from a 2018 baseline.

Our ambition is to reduce our scope 1 and 2 emissions across our banking portfolio, helping the UK to be on a 1.5°C aligned pathway to net zero. We have carried out assessments based on enhanced financed emissions data and updated scenarios to ensure this ambition remains sufficient to be 1.5°C aligned.

Assumptions

Given the majority of our bank activity is UK based, our ambition was guided by the UK Climate Change Committee's (CCC) assessments. We set our ambition in 2020 to reflect emission reductions required at the UK level. We chose 2018 as the baseline year as this was the latest year that emissions data was available for. We used the most up-to-date analysis – the CCC's 'Net Zero: The UK's contribution to stopping global warming' report, May 2019, which was produced in response to the government's request for advice to underpin a new net zero target for 2050. From this we derived 2030 emissions for each sector and then calculated the percentage reduction for all sectors using a location-based approach. We have continued to test that our original ambition of reducing emissions by more than 50% is sufficient to be aligned with a 1.5°C pathway as outlined in subsequent pathways set out by Sixth and Seventh Carbon Budgets.

Our environmental metrics continued

Bank financed emission continued

Our approach to sector targets

In April 2021, we became a founding member of the former Net-Zero Banking Alliance (NZBA), which produced the Guidance for Climate Target Setting for Banks → (the "Target Setting Guidance") that member banks used to take action to align their lending and investment portfolios with net zero pathways. The NZBA has now transitioned to a guidance-based framework, with the Target Setting Guidance remaining publicly available through the UN Environment Programme Finance Initiative (UNEP FI) for individual banks to use voluntarily. We committed to develop sector-based 2030 emission reduction targets for our most carbon-intensive sectors. In 2022, we prioritised our first round of targets for fossil fuel sectors (oil and gas, thermal coal and power utilities) and other sectors with high emissions and/or material exposure and readily available data. Seven sector targets were published as a result. They are for some of our highest emitting sectors, including UK residential mortgages, Retail motor, auto OEM, aviation, thermal coal, oil and gas, and power generation. In 2024, we published additional targets covering three more sectors which are road passenger transport, agriculture, and commercial and residential real estate (C&RRE). We have set intensity reduction targets for our key sectors, except for oil and gas and agriculture which are both absolute reductions in emissions from 2019 and 2021 baselines, respectively, and thermal coal power which we have committed to exit by 2030.

A summary of our targets can be found within our sustainability report →

Key steps in setting sector targets for financed emissions

Our approach to sector targets

01 Sector selection

We have prioritised setting our targets on fossil fuel sectors and other carbon intensive sectors covering the majority of the Bank's scope 1 and 2 financed emissions in accordance with the Target Setting Guidance. These targets currently cover 10 sectors.

We have not set targets for cement, shipping, iron and steel due to their relative immateriality to our book.

We review our portfolio composition to ensure our sector targets continue to cover the sectors where we can have the most significant impact.

02 Target setting methodology

Scenario and reference pathways
We follow the Target Setting Guidance to select credible and well-recognised third-party sources. We have used three climate scenarios and related scenario pathways as a foundation to create reference pathways. Further detail on scenario and reference pathways can be found on **page 10**.

Base year
We seek to select a baseline that is no more than two years from the date the target is set. This can be adjusted if the baseline year represents an atypical year e.g. the baseline year for the aviation target is 2019 instead of 2020 due to the impact of the Covid-19 pandemic on travel in 2020.

Target calculation
We have used three main methods to set our targets: SDA using the chosen science-aligned pathway for that sector, linear reduction approach and Absolute Contraction Approach (ACA). Further detail on target calculation can be found on **page 10**.

03 Progress review

Progress against sector targets along with other sustainability targets is reviewed regularly at functional and divisional-level steering groups and committees, ahead of review by the GSC. The sector emissions metrics are calculated and progress against targets monitored. Not all calculation inputs can be refreshed for each review (e.g. annual publication of emissions factors). However, the regular refresh of metrics with updated commentary on progress, strategic levers and external dependencies ensures continued focus on progress against targets.

04 Target review

In line with the Target Setting Guidance, on an ongoing basis, we actively monitor portfolio changes that could lead to material changes in financed emissions to ensure our targets are valid. As we review each target, we will consider incorporating developments of best-practice methodologies and credible scenarios.

Our environmental metrics continued

Bank financed emission continued

Scenario selection

We have used three Paris-aligned climate scenarios and related scenario pathways as a foundation to create reference pathways. The reference pathway is calculated by rescaling the scenario pathway to our banking portfolio for the sector, so that the pathway baseline year emissions equal our sector target baseline year emissions. We have selected the most relevant scenario based on multiple factors including portfolio composition. Scenarios from the Climate Change Committee's Balanced Net Zero Pathway are used where the portfolio is UK focused, whereas IEA scenarios are used for global portfolios.

1. **The International Energy Agency Net Zero Emissions 2050 (IEA NZE 2050)** for sectors where our portfolio clients or their main activities have a global or regional focus beyond the UK. For the power sector, IEA NZE 2050 is adjusted using the Transition Pathway Initiative methodology for the creation of an Organisation for Economic Co-operation and Development (OECD) scenario to more accurately determine the appropriate target for our client portfolio. We have used the IEA 2021 World Energy Outlook's Sustainable Development Scenario (SDS) to adjust NZE 2050 to be OECD-specific.

   The IEA NZE 2050 scenario seeks to limit global warming to 1.5°C by the end of the century with little or no overshoot, with low reliance on negative emissions technologies. The scenario uses assumptions from the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report. It assumes that advanced economies, such as the UK, will reach net zero emissions earlier than emerging markets and developing economies[1].

2. **The UK Climate Change Committee's Balanced Net Pathway (CCC 7CB)** from the Seventh Carbon Budget for sectors where clients or customers are solely UK focused.

   Published in 2025, the Climate Change Committee's Seventh Carbon Budget requires a reduction in UK greenhouse gas emissions on a trajectory that is consistent with the Paris Agreement, to limit global warming to 1.5°C. We have refreshed our targets previously set using Sixth Carbon Budget to reflect the most up-to-date data and sector pathways. The UK Government has reflected the CCC's Seventh Carbon Budget in its Nationally Determined Contribution presented to the United Nations in 2025, under its commitment to the Paris Agreement[3].

3. **The IEA Energy Technology Perspectives 2020 (IEA ETP 2020)** for the aviation transport sector.

   The IEA ETP 2020 SDS seeks to limit global warming to well below 2°C by the end of the century and is only being used for aviation where the near-term challenges in decarbonising the sector indicate achieving an aviation portfolio 1.5°C aligned target by 2030 is unlikely. The scenario uses assumptions from the IPCC Fifth Assessment Report and targets global net zero emissions by 2070[4].

   Where reference pathways do not include all the emissions scopes as covered by the portfolio target, we have applied the same required rate of intensity/absolute reduction from the reference pathway to all scopes covered by the portfolio target.

Target setting methodology

We have used three main methods to set our targets: the SDA using the chosen science-aligned pathway for that sector, linear reduction approach and the ACA. We have used a location-based approach in our calculation of scope 2 financed emissions footprint.

The SDA is tailored to different sectors, recognising that each sector has unique characteristics and capabilities for reducing emissions, and hence has a different carbon budget allocation, in order for the target to be science-aligned. Using the SDA calculation, we have calculated the target emission intensity for our sector portfolio, using the chosen science-aligned pathway sector baseline intensity (calculated from sector absolute emissions and activity level), the sector emission intensity in the target year (calculated from sector target emissions and projected activity level) and our portfolio baseline intensity for a given sector (calculated from portfolio absolute emissions and activity).

The Science Based Target initiative (SBTi) provides the SDA formula below to calculate an emission intensity target for a portfolio. The formula calculates a 2030 target based on our pathway converging with the sector scenario in 2050. We do not take into account potential market share.

$$PI_{t,} = (PI_b - SI_{2050}) \times \frac{(SI_t - SI_{2050})}{(SI_b - SI_{2050})} + SI_{2050}$$

and

$$\text{Portfolio intensity reduction target (\%)} = 100 - \left(\frac{(PI_t)}{(PI_b)} \times 100\right)$$

Where:

PI_t=portfolio intensity at target year
PI_b=portfolio intensity at base year
SI_b=sector intensity at base year
SI_t=sector intensity at target year (2030)
SI_{2050}=sector intensity in 2050

The SDA formula is applied when the target is set.

If a target baseline is subsequently updated, we do not recalculate the target using the SDA formula. Instead, we use the percentage reduction derived in the target setting exercise and apply to the updated baseline. The SDA formula will be applied again when the target is reviewed i.e. every five years at a minimum.

The linear reduction method is a simplified version of SDA, where the target is defined based on applying the percentage reduction from the sector pathway to the portfolio intensity in the base year. The percentage target derived using the linear reduction does not change when baselines are updated.

$$PI_t = \frac{(SI_t)}{(SI_b)} \times PI_b$$

Where:

PI_t=portfolio intensity at target year
PI_b=portfolio intensity at base year
SI_b=sector intensity at base year
SI_t=sector intensity at target year (2030)

The ACA is used to calculate absolute emission reductions in line with global decarbonisation pathways. This is a more straightforward approach, as absolute emission reductions do not need to accommodate change in projected activity. The method ensures that companies set targets which reduce emissions on an absolute and linear basis, meaning emissions are expected to be reduced even during periods of business growth.

$$\text{Absolute portfolio reduction target} = PE_b \times \text{Sector emissions reduction requirement (\%)}$$

Where:

PE_b = absolute portfolio emissions at base year

1 Global Energy and Climate Model, Documentation 2023. International Energy Agency.
2 The Seventh Carbon Budget, The UK's path to Net Zero, Climate Change Committee, March 2025.
3 United Kingdom of Great Britain and Northern Ireland's 2035 Nationally Determined Contribution, submitted January 2025.
4 Energy Technology Perspectives 2020, International Energy Agency (chapter 2).

Our environmental metrics continued

Bank financed emission continued

Where a linear reduction method has been applied, we have checked that the resulting reduction target is greater or equal to the reduction required using the SDA.

The table on the right shows the scope of our financed emissions for the 10 sectors we have set targets for, including upstream, midstream and downstream activities within each sector. The target coverage is influenced by factors including 1) the portion of the value chain included in the reference scenario we have selected to set our targets and 2) the data availability for the section of the value chain.

Limitations to target setting

The target setting process is subject to limitations, including:

- Targets are based on carbon reduction pathways which have a large number of in-built assumptions and data sources; over time assumptions may prove to no longer be valid and underlying data sets may be updated
- Target setting methodology is evolving, and as improved methodologies become available deficiencies in earlier methodologies may become apparent
- Available pathways will not necessarily be a perfect match to our sector portfolios. Where appropriate we have adjusted the available pathways to better match our sector portfolios and the adjustments will be described in the relevant sector section

Summary table for calculated sector targets

Sector target	Scenario	Target setting approach	Baseline year	Target coverage	2030 Target reduction	Unit (intensity or absolute)	% within sector target in 2024	Sector activity within the value chain		
UK residential mortgages	CCC 7CB	Linear	2020	Scope 1 and 2	35%	$kgCO_2e/m^2$	100%	Upstream (e.g. material supply)	Midstream (e.g. construction)	Downstream (e.g. operational emissions)
Retail motor – Cars and LCV	CCC 7CB	Linear	2018	Scope 1 and 2	48%	gCO_2e/km	95%	Upstream (e.g. material supply)	Midstream (e.g. manufacturing, distribution)	Downstream (e.g. fuel emissions)
Auto OEM	IEA NZE 2050	SDA	2020	Scope 1, 2 (manufacturing) and 3	47%	gCO_2e/vkm	99%	Upstream (e.g. material supply)	Midstream (e.g. vehicle manufacture)	Downstream (e.g. fuel emissions)
Aviation	IEA ETP 2020 SDS	Linear	2019	Scope 1, 2 and 3	31%	gCO_2e/rtk	84%	Upstream (e.g. parts supply)	Midstream (e.g. aircraft manufacture)	Downstream (e.g. fuel emissions)
Oil and gas	IEA NZE 2050	ACA	2019	Scope 1, 2 and 3	50%	$MtCO_2e$	37%	Upstream (e.g. extraction)	Midstream (e.g. transport by pipeline)	Downstream[2] (e.g. refineries)
Thermal coal				n/a – full exit[1]				n/a	n/a	n/a
Power generation	IEA NZE 2050 (adjusted to OECD)	SDA	2020	Scope 1 and 2 (corporate utilities) Scope 1 (project finance)	81%	gCO_2e/kWh	73%	Upstream (e.g. generation)	Midstream (e.g. transmission and distribution)	Downstream (e.g. retail)
Road passenger transport	CCC 7CB	SDA	2019	Scope 1, 2 and 3	47%	gCO_2e/pkm	53%	Upstream (e.g. material supply)	Midstream (e.g. storage and transportation)	Downstream (e.g. fuel emissions)
Agriculture	CCC 7CB	ACA	2021	Scope 1 and 2	23%	$MtCO_2e$	93%	Upstream (e.g. fertiliser supply)	Midstream (e.g. farm machinery emissions)	Downstream (e.g. processing and production)
C&RRE	CCC 7CB	SDA	2021	Scope 1, 2 and 3	43%	$kgCO_2e/m^2$	86%	Upstream (e.g. material supply)	Midstream (e.g. construction)	Downstream (e.g. operational emissions)

☐ In scope

1 We achieved our target to fully exit thermal coal power in the UK by 2023. We have set a target to fully exit all entities that operate thermal coal facilities by 2030.
2 We set our target and calculate our financed emissions based on our lending to clients in extraction, refining and transport via pipeline, including commodities trading arms of supermajor oil and gas clients but not including support services and other commodity traders to avoid double counting and as the decarbonisation pathway for this part of the value chain does not align to the chosen scenario.

UK residential mortgages

Target and scope

We have developed an intensity-based target for our UK residential mortgage portfolio to reduce our financed emissions intensity (scope 1 and 2) by 35% (from a 2020 baseline), from 46kgCO_2e/m^2 to 30kgCO_2e/m^2 by 2030. We have used a linear reduction approach to set our target for this sector.

The target covers UK retail mortgages and relates to the properties we provide residential mortgages for across all Group brands, covering portfolios held in other UK jurisdictions such as the Isle of Man and Channel Islands. This includes UK mortgage lending, covering both buy-to-let and owner-occupied mortgages. Mortgage portfolios held as part of our Wealth and European portfolios are outside of the scope of the target as bespoke calculations, transition and strategies are required.

Our emissions from our UK retail mortgages are derived from the estimated energy use by properties (direct and indirect) resulting in the inclusion of both scope 1 and scope 2 emissions. In line with the PCAF standard (part A) guidance (Chapter 5.5 Mortgages), adjustments have been made to include unregulated emissions and latest grid decarbonisation figures to reflect real world emissions. Fugitive emissions are excluded due to the absence of data or an agreed methodology by which to account for them.

Units

Primary: Physical intensity (kgCO_2e/m^2)
Our target is based on physical emissions intensity which is considered best to reflect the expected growth in the UK housing market over future decades. This intensity measure is in line with PCAF, the industry standard for estimating residential real estate emissions.

Secondary: Absolute financed emissions (MtCO_2e)
We are also committed to track the absolute financed emissions metric to ensure overall emissions reduction.

Calculation methodology basis

Baseline

Base year for our target is 2020 as this reflected the best available data for publication. PCAF formulae for calculating base year emissions has been applied.

Financed emissions calculation

UK residential mortgage portfolio financed emissions (MtCO_2e) are calculated using the formula from the PCAF standard (part A, Chapter 5.5 Mortgages).

$$\text{Property financed emissions} = \text{Property attribution factor} \times \text{Property emissions}$$

where the property attribution factor is calculated as:

$$\text{Property attribution factor} = \frac{\text{Outstanding amount}}{\text{Property value at origination}}$$

$$\text{Portfolio financed emissions} = \sum_{p} \text{Property emissions}_p$$

(with p = property)

Emission intensity for the portfolio is calculated using the formula:

$$\text{Portfolio emission intensity} = \frac{\text{Portfolio financed emissions (kg}CO_2\text{e)}}{\text{Financed portfolio floor area (m}^2\text{)}}$$

Scenario and reference pathway

We have used the CCC Seventh Carbon Budget to benchmark our UK residential portfolio. This pathway best reflects the Group's portfolio of UK-based property, and the dependencies of our individual owner-occupied and buy-to-let customers on government policy to decarbonise.

We have adapted the CCC Seventh Carbon Budget to account for tenure-specific decarbonisation that reflects our mortgage portfolio. We have used Office for National Statistics (ONS) data to indicate number of households by tenure and used average floor area from the national EPCs database. Sector growth has been estimated in line with CCC projections.

Using the CCC Seventh Carbon Budget, adapted as described above, we have set a target of a 35% reduction in emission intensity by 2030.

Key assumptions

- **Floor area:** the CCC does not provide a floor area intensity. We have used 2018 ONS data to estimate baseline floor area, tenure split and projected growth rates to 2030. Minimum and maximum total floorspace thresholds are used for all properties to qualify the Energy Performance Certificate (EPC) data for use in the calculations
- **Attribution:** A property's original valuation or valuation at point of additional lending is used for the valuation at origination. Where neither exists an estimate for valuation at origination is calculated through indexing
- **Emissions:** The main source of emissions data in the UK is from EPCs available through the England and Wales or Scottish government EPC registers. EPC data from the registers are matched at a property level and used in the calculation of aggregated portfolio emissions
- **Unknown EPCs:** Unknown EPCs make up c.26% of our mortgage portfolio. Where EPCs are unknown, emissions are estimated by applying averages from portfolio known EPCs. For unknown EPCs we use the average floor space (calculated from known EPCs)
- **Emissions calculation:** Property-level emissions are adjusted to include unregulated emissions (appliances and cooking) and to reflect latest reported decarbonisation of the electricity grid
  - **Unregulated emissions:** An enhancement to the PCAF methodology to represent electricity use from appliances and cooking is estimated using Standard Assessment Procedure (SAP) 2012 methodology
  - **Grid decarbonisation:** Has been factored in using the latest emissions intensity of electricity supply in the CCC Seventh Carbon Budget Balanced Pathway

Sources

External sources used in the calculation of emission data are summarised in the table on **page 32**.

In addition, the following internal source is used:

- Internal property data from Mortgages Database, such as mortgage balances and dates of origination, property archetype and year built which help inform the unknown EPC averages

Data quality score

As recommended by PCAF, a data quality score is calculated at the property level by attaching score 3 to known EPCs and score 5 to unknown EPCs. A weighted average PCAF score is calculated (weighted by loan amount at reporting date) resulting in an overall 2024 score of 3.3 for the homes portfolio.

Further improvement in the portfolio data quality score will remain limited. Only an increase in the coverage of known EPCs will improve the score each year, until UK household metered data becomes readily available.

Retail motor (cars and light commercial vehicles)

Targets and scope

Following a review prompted by the release of the Climate Change Committee's Seventh Carbon Budget, we have established a unified target to reduce the emission intensity (Scope 1 and 2) of vehicles we lease or finance by 48% by 2030, from a 2018 baseline – reaching 82gCO_2e/km.

This consolidated target now encompasses both our Cars and LCV portfolios aligning it to our operational model.

Our UK retail motor portfolio targets cover both motor vehicle loans and operating lease assets, across Lex Autolease and Tusker and financing from Black Horse, where annual mileage estimates are available. Vehicles without reliable mileage data, such as forecourt dealership stock, are excluded from scope. Our LCV portfolio includes commercial vehicles under 3.5 tonnes, or up to 4.2 tonnes for electric vehicles (EVs). This encompasses standard panel vans, 4x4s, and vans adapted for specific commercial purposes.

We also provide lending for other vehicle types, such as forklift vehicles, where mileage is unknown or no emissions methodology currently exists; these are excluded from financed emissions calculations. Similarly, leisure products such as static caravans, touring caravans, and trailer tents are out of scope.

The Group acquired vehicle management and leasing company Tusker in 2023. At the time of acquisition, we conducted a materiality assessment of Tusker's financed emissions. Based on the outcome, we determined that restating prior period financed emissions was not required.

Units

Primary: Physical intensity (gCO_2e/km)
The target is based on physical intensity to facilitate easy comparison between clients.

Secondary: Absolute financed emissions (MtCO_2e)
We also track absolute financed emissions to ensure overall emissions reduction is achieved alongside intensity improvements.

Calculation methodology basis

Baseline

The Group adopted 2018 as the baseline year for its vehicle emissions target, aligning with the Group's broader banking financed emissions ambition. While this falls outside the Target Setting Guidance to use a baseline within two years of target publication (2022), 2018 was selected due to the impact of COVID-19 on travel patterns, which rendered 2020 and 2021 unrepresentative. Additionally, the Group previously operated with a two-year data lag, meaning 2019 financed emissions were still being calculated at the time the 2022 report was published. This has since been improved to a one-year data lag, enhancing the timeliness and accuracy of emissions reporting.

Following the decision to establish a consolidated target covering cars and LCVs, the 2018 baseline emissions intensity was recalculated in 2025.

Baseline emissions are calculated using the Partnership for Carbon Accounting Financials (PCAF) methodology, (Chapter 5.6 Motor Vehicle Loans). Where Worldwide Harmonized Light Vehicle Test Procedure (WLTP) data is unavailable, an uplift is applied to NEDC values - approximately 16% for internal combustion engine (ICE) vehicles and 45% for battery electric vehicles (BEVs) - to ensure a more accurate representation of emissions intensity for the baseline year. These uplifts are calculated separately for ICE and BEV vehicles and are reviewed annually. The adjustment to WLTP does not affect the original target, which remains a 48% reduction of vehicle emissions intensity by 2030.

Total absolute motor emissions are also reported, being the sum of the total annual estimated CO_2 equivalent (CO_2e) across all portfolios and all vehicle types.

Financed emissions calculation

Formula 1 (motor portfolio total emissions) sums the individual vehicle emissions calculated using formulae 2 and 3 below. Formulae 1 to 3 can be referenced to the PCAF standard (part A, Chapter 5.6 Motor vehicle loans).

Formula 1 – Motor portfolio total emissions:

$$\text{Motor portfolio total emissions } (tCO_2e/yr) = \sum_v \text{Vehicle annual emissions}_v$$

(with v = vehicle)

The following calculations are based on contracted or estimated mileage and the emission intensity per vehicle, with different formulae applied to EVs compared with other non-EVs.

Formula 2 – Emissions per vehicle (except EVs)

$$\text{Vehicle annual emissions}_v \left(\frac{tCO_2e}{yr}\right) = \text{Distance travelled}_{(\text{mileage})_v} \times \text{Emissions intensity}_v \left(\frac{tCO_2e}{km}\right) \times 1.60934 \text{ (miles to km)}$$

(with v = vehicle)

The emission intensity is the reported, or where not available, the estimated CO_2e/km – based on make and model of the vehicle from CAP data sources.

Formula 3 – Emissions per vehicle (EVs)

For EVs that have a model-specific energy intensity (kWh/km) value available, this is used in conjunction with the UK grid emission intensity (CO_2e/kWh) to calculate an emission intensity value. The formula below is then used to calculate the absolute emissions in tonnes CO_2e:

$$\text{Vehicle annual emissions}_v \left(\frac{tCO_2e}{yr}\right) = \text{Distance travelled}_{(\text{mileage})_v} \times \text{Energy intensity}_v \left(\frac{kWh}{km}\right) \times \text{Emission intensity}_g \left(\frac{tCO_2e}{kWh}\right) \times 1.60934 \text{ (miles to km)}$$

(with v = vehicle, g = UK electricity grid)

Emissions intensity of the combined cars and vans portfolio is calculated as an average of the individual vehicle intensity measures.

Our environmental metrics continued

Retail motor (cars and light commercial vehicles) continued

Scenario pathway

Following the publication of the CCC's Seventh Carbon Budget, we transitioned to a combined target using the Balanced Pathway and Sectoral Decarbonization Approach (SDA) methodology. Emission intensity by vehicle is calculated as the total of scope 1 and 2 emissions, divided by the annual mileage. This target is derived by applying existing scenario pathways for cars and LCVs, weighted according to their proportion within the LBG portfolio based on a volume metric. This approach ensures the target reflects the actual composition of the financed fleet while aligning with sector-specific decarbonisation trajectories.

Key assumptions

We have deviated from Chapter 5.6 of the PCAF standard for motor vehicle loans by applying a 100% attribution factor to individual emissions estimates when calculating financed emissions associated with the loans. This decision reflects differences in vehicle ownership and contract structures within Lloyds Banking Group, which could allow for significant emissions reductions in future periods through contractual adjustments – without altering the underlying emissions profile of the portfolio.

For example, transitioning contracts from operating leases to standard loans within Lex Autolease, or from Personal Contract Purchase (PCP) to Hire Purchase (HP) under the Black Horse Retail banner, would shift more of the live book into attributed contract types. However, such changes would not affect the actual emissions generated by the financed vehicles.

The Group determined that it would be inappropriate to differentiate vehicles based solely on the type of customer contract, as this could allow emissions reductions to be influenced by factors unrelated to actual emissions performance. As a result, a conservative approach has been adopted, applying a 100% attribution factor to all motor vehicles in the portfolio. This is acknowledged to potentially overstate financed emissions.

For validation checks using the CCC's 2025 Progress Report data and applying the SDA, we used our 2018 baseline and applied sector intensity values for 2030 and 2050. Due to the absence of CCC data on the fuel mix for LCVs, additional assumptions were required to estimate Scope 2 emissions. For historic years, LCV volumes and fuel mix were sourced from the Department for Transport. For projected years, we assumed constant distance per vehicle and used CCC sector mileage data to estimate total LCV volumes annually:

- The proportion of battery electric vehicle (BEV) LCVs was taken directly from CCC projections
- In the absence of plug-in hybrid electric vehicle (PHEV) LCV projections, we assumed PHEV volumes remain constant at 2024 levels, declining to zero by 2049 (achieving the CCC's assumption of no PHEVs by 2050). Remaining vehicles are assumed to be ICE
- For both cars and LCVs, energy intensity values were sourced from UK Government Conversion Factors for each available year and assumed to remain constant for future projections

Sources

External sources used in the calculation of emission data are summarised in the table on **page 32**.

Where available, Driver and Vehicle Licensing Agency (DVLA) data is used to source vehicle CO_2 figures. Where a system CO_2 figure was not available, CAP HPI data, Experian data and then industry standards were used where possible. In a limited number of cases there is insufficient data to source CO_2 data from the sources listed above so an average CO_2 for the vehicles in these categories is applied. This only applies to the vehicles in scope.

For EVs and PHEVs emissions factors are sourced from the Department for Energy Security and Net Zero (DESNZ), which is also used for gaps in relation to grid factors.

For our finance and hire purchase lease portfolio, annual mileage data is sourced from contracts. Where annual mileage is not available, the Department for Transport National Travel Survey data is used.

Data quality score

As recommended by PCAF, a data quality score has been assigned to each vehicle loan emission calculation, based on the quality of the source data. A value is assigned for both mileage and CO_2 emissions and the highest value is then taken for that loan. The source data options for motor vehicle loans with their associated PCAF data quality scores are set out in the PCAF standard (part A), Chapter 5. These have been summarised in the table below. To calculate a combined PCAF score for individual portfolios (Lex, Tusker, Black Horse Retail and Black Horse Fleet) and overall, we calculate a weighted average PCAF score, which is weighted by the reported vehicle loan balance. This results in an overall 2024 score of 2.4 for the motor portfolio.

Calculation options and data quality score

Option[1]	Outstanding amount	Make and model are known	Vehicle type known	Vehicle efficiency (note 2)	Local data, contracted mileage or government statistics for estimated mileage	Local or regional data for estimated mileage	Government statistics for average efficiency	PCAF data quality Score
2a	Y	Y	Y	Y	Y			2
3a	Y		Y		Y	Y	Y	4

1 Option refers to table 5.16 in the PCAF standard (part A).
2 Vehicle efficiency is available in each of the following cases:
- If BEV and has battery conversion factor
- If PHEV and has a CAP code-related CO_2 emissions value and battery conversion
- If internal combustion engine (ICE) vehicle and has CAP code-related CO_2 emissions value

Commercial Banking sectors

Methodology

Financed emissions, for the baseline year and subsequent years, are calculated using PCAF methodology, in line with the approach outlined for three asset classes:

- Business loans, PCAF standard (part A, Chapter 5.2)
- Project finance, PCAF standard (part A, Chapter 5.3)
- Commercial real estate, PCAF standard (part A, Chapter 5.4)

For the majority of the portfolio, we follow the business loan approach for calculating emissions. For power, where the majority of the drawn lending is to finance power generation projects, we have followed the project finance approach for these clients and business loan approach for the corporate clients, i.e. where these are general purpose loans. The commercial real estate approach is only relevant for that sector.

Scope 1 and 2 emissions are calculated for all Commercial Banking (CB) assets within the scope of the PCAF methodology (including those not covered by sector targets). The target coverage of scope 3 emissions is set out in the table on **page 11** and in the sector sections. Scope 3 emissions are also now calculated for Commercial Banking assets within the scope of the PCAF methodology, not covered by NZBA sector targets, where data is available.

We assume a static balance sheet composition of clients for all sector targets from baseline year to 2030.

The general approach to calculating financed emissions is set out in Figure 4.2 of the PCAF guidance.

Figure 4.2 The general approach to calculate financed emissions:

$$\text{Financed emissions} = \sum_i \text{Attribution factor}_i \times \text{Emissions}_i \quad \text{(with i=borrower or investee)}$$

We calculate attribution factors in line with PCAF guidance as detailed below.

Formulae for business loans attribution factor:

For business loans to private companies:

$$\text{Attribution factor}_c = \frac{\text{Outstanding amount}_c}{\text{Max(0,Total equity}_c\text{)} + \text{Total debt}_c}$$

(with c = borrower or investee company)

Where balance sheet data is extracted manually from published financial statements, the total equity is obtained defined as the sum of:

- Capital accounts
- Current accounts
- Property accounts
- Shareholder fund/equity

And the total debt is defined as the sum of:

- Any type of loans/borrowing (including inter-company, shareholder, or private borrowings)
- Overdrafts/Credit card
- Leases
- Hire purchase/asset finance
- Other creditors (which might not have been detailed)

If total debt is not available, then

$$\text{Attribution factor}_c = \frac{\text{Outstanding amount}_c}{\text{Total Asset}_c}$$

(with c = borrower or investee company)

Where total asset is defined in the balance sheet as the sum of:

- Fixed assets
- Current assets
- Investments
- Chattels
- Non-current assets

For business loans to listed companies:

$$\text{Attribution factor}_c = \frac{\text{Outstanding amount}_c}{\text{Enterprise value including cash (EVIC)}_c}$$

(with c = borrower or investee company)

EVIC is defined as: The sum of the market capitalisation of ordinary shares at fiscal year end, the market capitalisation of preferred shares at fiscal year end, and the book values of total debt and minorities' interests. No deductions of cash or cash equivalents are made to avoid the possibility of negative enterprise values.

Formula for project finance attribution factor:

$$\text{Attribution factor}_p = \frac{\text{Outstanding amount}_p}{\text{Max(0,Total equity}_p\text{)} + \text{Total debt}_p}$$

(with p = project)

Irrespective of how the attribution factor is calculated, it will be capped at one (for all financed emissions and facilitated emissions calculations).

Our environmental metrics continued

Commercial Banking sectors continued

Calculation options and data quality score

The calculation options for business loans, listed and unlisted equity, project finance and debt securities with their associated PCAF data quality scores are set out in the PCAF standard (part A). These have been summarised in the table below.

Option (note 1)	Outstanding amount (in company/project)	Emissions (company/project)		EVIC or debt + equity (company or project)	Primary physical activity and associated emissions factors		Company/project revenue	Sector emissions factor for unit of revenue	Sector emissions factor for unit of asset	Asset turnover ratio for sector	PCAF data quality score
		Verified	Unverified		Consumption	Production					
1a	Y	Y		Y							1 (note 2)
1b	Y		Y	Y							2
2a	Y			Y	Y						2
2b (note 3)	Y			Y		Y					3
3a (note 4)	Y			Y			Y	Y			4
3b	Y								Y		5
3c	Y							Y		Y	5

Note 1 Option number refers to Tables 5.3, 5.7 and 5.10 in the PCAF standard (part A).
Note 2 In cases where we are not able to differentiate between verified and unverified client emissions (PCAF Score 1 and 2), we follow a conservative approach and calculations where direct company emissions are used receive a PCAF score of 2. Soil Association Exchange (SAX) data is also classified as unverified and receives a score of 2.
Note 3 In some cases revenue based estimated client emissions are available from a third party; when using these estimates the Group assigns a PCAF score of 4. In some cases, scope 3 emissions are estimated using scope 1 emissions and production data. Where the scope 1 emissions used in these estimates are are sourced from CDP, S&P (either actual or estimated value), revenue-based estimates or manual scraping, the resultant scope 3 emissions are assigned a PCAF score of 4. If the input emissions are calculated using ONS asset factors, the resultant scope 3 emissions are assigned a scope of 5.
Note 4 Scottish Widows investments in listed equity and corporate bonds follow options 1a to 3a above. Business loans and project finance investments follow option 3b.

Sources

We use a variety of sources to calculate emissions data. Ideally, we seek to use company-level data where available. If this is not possible as a UK-centric bank where most of our clients are UK-based, we have chosen to use the ONS data, i.e. the absolute emissions and the net capital stock per Standard Industrial Classification (SIC) code, to calculate the sector-specific scope 1 emissions factors.

For scope 2 emissions factors, where we have not been able to source a scope 2 emissions value, we used a scope 1:scope 2 ratio calculated using DESNZ data. This is mapped to the ONS SIC grouping in order to be standardised with the scope 1 emissions factors. Similarly, where scope 3 data or production data is not available, a scope 3:scope 1+2 ratio has been used.

These scope 1 and 2 emissions factors are used for all of the sectors where either client-level emissions or physical activity data with company financials are not available. Emission calculation using factors derived in this way have a PCAF score of 5. Where scope 3 emissions are calculated using scope 1 emissions derived from these emissions factors, these scope 3 emissions will also be assigned a PCAF score of 5.

Note that new/updated manual data (ARA or sustainability report) will only be sought out if the client is considered 'material' i.e. holds more than 10% of the drawn balance within a sector and does not report their estimates to the Carbon Disclosure Project (CDP) for any year. Data may be sought and used in cases where clients do not meet these thresholds if a data gap is identified.

A limitation in this year's calculation is that ONS data for 2022 has been used in the calculation of the reported 2024 financed emissions. The 2023 ONS data was not available at the cut-off point for data updates for this year's calculations.

Given the variety of sources mentioned above, we have created a data roll forwards and ranking strategy that is aligned across the CB sectors.

Roll forward strategy

The roll forward strategy has been designed to improve consistency over time, by minimising the need to switch between data sources of varying quality.

- Missing data will be filled with the most recent data available from that source.
  - E.g. If there is no data from a particular source for 2023 and 2024 but there is data from 2022, the 2022 data will be rolled forward to the other two years
- In the absence of prior data, missing information will be completed using the nearest future data.
  - E.g. If there is no data from a particular source for 2018 or earlier but there is available data from 2019, the 2019 data will be rolled back to 2018.
- Data can be rolled up to five years. Using the same emissions data for up to five years is a limitation as the same data could be used in both the target baseline and the current year reported emissions.

Ranking strategy

We have developed a ranking hierarchy for emissions data. Available emissions data points for each client are assigned an overall order of preference using the following factors in order:

- Data quality based on grouped PCAF scores
- The absolute difference, in years, between the reporting year of the estimate and the reporting year in question
- Data quality based on the granular PCAF score
- A measure reflecting the priority given to each data source when the PCAF scores are equal, based on the overall accuracy of that data source

Please note that the PCAF scores will remain unchanged, regardless of whether they are rolled forwards or backwards.

The sources used for each sector are described in more detail in the sector sections.

Automotive OEM

Target and scope

We have developed an intensity-based target for our auto OEM sector to reduce the emissions intensity by 47% to 131gCO_2e/vkm (vehicle kilometres) by 2030 (from a 2020 baseline). We have used the SDA to set our target for this sector.

Emissions are calculated for the Commercial Bank's lending to automotive OEMs and their captive finance arms. We exclude from our target small and medium-sized clients which we deem immaterial or have limited data available.

Our target and reported emissions cover scope 1 and 2 emissions from client operations (manufacturing) and scope 3 emissions.

Units

Primary: Physical intensity (gCO_2e/vkm)
We have chosen a physical intensity metric to facilitate easy comparison between clients.

Secondary: Absolute financed emissions (MtCO_2e)
We are also committed to track the absolute financed emissions metric to ensure overall emissions reduction.

Calculation methodology basis

Baseline

We have chosen 2020 as the baseline year for our target, in line with the two-year window per the Target Setting Guidance. Scope 1, 2 and 3 emissions have been included in the baseline financed emissions.

Financed emissions calculations

Emissions are calculated in line with the PCAF business loans approach.

The PCAF standard (part A) outlines three options for calculating the financed emissions for business loans, depending on the emissions data available. This is outlined in the PCAF standard (part A) table 5-7 and the options available are summarised in the table on **page 16.**

For auto OEM business loans, we apply options 1(a and b), 2b and 3(a and b).

In the PCAF business loan approach, applying option 1, the absolute financed emissions of a client, e_f, is given by:

$$e_f = a_f \times e_c$$

where a_f is the attribution rate and e_c is the client's emissions.

The client attribution rate is calculated by dividing the lending amount by their enterprise value including cash (EVIC) or their total capital, i.e. total debt + total equity.

$$a_f = \frac{\text{Lending amount}}{\text{EVIC or Total capital}}$$

The financed vehicle mileage of a client, m_f, is given by:

$$m_f = a_f \times m_c$$

where m_c, the total vehicle mileage of a client is given by:

$$m_c = \text{number of vehicles sold} \times \text{vehicle lifetime km}$$

Alternatively, m_c can be approximated by dividing the client's scope 3 emissions by the sector emissions intensity from the sector pathway for the relevant year.

The financed emissions intensity of a client, i_f, is given by:

$$i_f = \frac{e_f}{m_f}$$

The overall financed emissions intensity of the portfolio is calculated using the formula below:

$$\text{Portfolio emission intensity} = \frac{\text{Portfolio financed emissions (g}CO_2\text{e)}}{\text{Portfolio vehicle kilometre (vkm)}}$$

Where CDP scope 3 data only contains any combination of categories 5, 6 & 7, this data will be rejected in favour of other sources based on the calculation options and data quality score table on **page 16**. This is to avoid the use of emissions deemed to be immaterial and unlikely to cover the material scope 3 categories for the clients in this sector.

Scenario and reference pathway

We have used the IEA NZE by 2050 scenario as our portfolio reference pathway, which provides a global pathway to net zero CO_2 emissions to align to the Group's net zero commitment. This is in line with the global nature of our auto OEM portfolio. This scenario provides the well-to-wheel emissions of the vehicles produced, including the production and distribution of transport fuel, i.e. scope 3, but does not include emissions from vehicle manufacturing. At the time of setting the target, none of the available scenarios covered scope 1 and 2 emissions of vehicle manufacturing.

Assumptions

The main assumption used in the baseline emissions calculations for auto OEMs is that the auto OEM portfolio represents the large and global auto industry and therefore the use of their products are global and not UK-specific. Therefore, global emission factors are appropriate. However, as global emission factors are not available, we create global average emission factors per vehicle type based on country-level emission factors and the number of vehicle sales per country. When vehicle lifetime km is not available, we use an average estimation of 200,000km.

We have taken the 'passenger car' pathway from the IEA Auto OEM scenario pathway, on the assumption that this is most appropriate based on the composition of our portfolio.

Sources

The sources used in the calculation of our financed emissions (absolute and intensity) are summarised on **page 32**.

Data quality score

As recommended by PCAF, a data quality score has been assigned to each loan emission calculation, based on the quality of the source data. The overall PCAF score for the portfolio is the weighted average of the PCAF scores of the individual loans (weighted by the loan amounts). The overall PCAF scores for the automotive sector are: 1.1 for scope 1 and 2 and 1.5 for scope 3 for 2024.

Our environmental metrics continued

Aviation

Target and scope

We have developed an intensity-based target for our aviation sector to reduce the emissions intensity by 31% to 788gCO_2e/rtk (revenue tonne kilometres) by 2030 (from a 2019 baseline). We have used a linear reduction approach to set our target for this sector.

The aviation target and emissions calculations relate to operating airlines and excludes smaller business clients due to data limitations. Where operating airlines are included in the target, it covers the value chain for the following areas:

- Passenger transport
- Industrial transport

Our target and reported emissions cover scopes 1, 2 and 3.

Units

Primary: Physical intensity (gCO_2e/rtk)
We have chosen a physical intensity metric to facilitate easy comparison between clients.

Secondary: Absolute financed emissions (MtCO_2e)
We are also committed to track the absolute emissions metric to ensure overall emissions reduction.

Calculation methodology basis

Baseline
2019 was selected as the baseline year for our emissions target, as this reflects actual travel levels before the impact of Covid-19.

Financed emissions calculations
Emissions are calculated in line with the business loan approach.

The PCAF standard (part A) outlines 3 options for calculating the financed emissions for business loans, depending on the emissions data available. This is outlined in the PCAF standard (part A) table 5-7 and the options available are summarised in the table on **page 16.**

For aviation business loans, we apply Option 1(a and b), 2b and 3b.

In the PCAF business loan approach, applying option 1, the absolute financed emissions of a client, e_f, is given by:

$$e_f = a_f \times e_c$$

where a_f is the attribution rate and e_c is the client's emissions. The attribution rate is calculated by dividing the lending amount by their enterprise value including cash (EVIC) or their total capital, i.e. total debt + total equity.

$$a_f = \frac{\text{Lending amount}}{\text{EVIC or Total capital}}$$

The financed mileage (rtk), of a client, m_f, is given by:

$$m_f = a_f \times m_c$$

where m_c is the mileage flown (rtk).

And the financed emissions intensity of a client, i_f, is given by:

$$i_f = \frac{e_f}{m_f}$$

Company-level revenue passenger km (rpk) and cargo tonne km (ctk) are published by the International Air Transport Association (IATA). These can be converted to rtk using the formula:

$$\text{rtk} = \text{ctk} + 0.1\text{rpk}$$

The overall financed emissions of the portfolio are calculated using the formula below:

$$\text{Portfolio emission intensity} = \frac{\text{Portfolio financed emissions (g}CO_2\text{e)}}{\text{Portfolio revenue tonne kilometre (rtk)}}$$

If client production data is not available, we estimate using:

$$\frac{\text{Scope 1 emissions (client if available or sector level)}}{\text{Tank to Mileage (sector level data)}}$$

If scope 3 data is not available, we estimate using:

$$\text{Production data (client if available or otherwise sector level)} \times \text{Well to Tank (sector level data)}$$

Where CDP scope 3 data only contains any combination of categories 5, 6 & 7, this data will be rejected in favour of other sources based on the calculation options and data quality score table on **page 16**. This is to avoid the use of emissions deemed to be immaterial, and unlikely to cover the material scope 3 categories for the clients in this sector.

Scenario and reference pathway

Given the uncertainty in relation to achieving the target due to external factors such as the rate of sustainable aviation fuel adoption and the development of low-carbon technology, we have aligned our portfolio to the IEA ETP 2020 SDS.

Assumptions

- The PCAF business loan approach is appropriate for the aviation portfolio
- The passenger and industrial transport portfolio represents the large and global aviation industry and the use of their products is global and not UK-specific

Sources

The sources used in the calculation of our financed emissions (absolute and intensity) are summarised on **page 32**.

Data quality score

As recommended by PCAF, a data quality score has been assigned to each loan emission calculation, based on the quality of the source data. The overall PCAF score for the portfolio is the weighted average of the PCAF scores of the individual loans (weighted by the loan amounts). The overall PCAF scores for the aviation sector are: 1.0 for scope 1 and 2 and 2.0 for scope 3 for 2024.

Road passenger transport

Target and scope

We have developed an intensity-based target for our road passenger transport sector to reduce the emissions intensity by 47% to 67gCO_2e/pkm by 2030 (from a 2019 baseline). We have used the SDA to set our target for this sector.

We categorise our lending to the road sector into passenger and freight transport:

- Passenger transport:
  - Other land
  - Automotive rentals
- Freight transport:
  - Road
  - Postal and courier activities

Freight transport is currently excluded from the road passenger transport sector target. Freight was excluded due to the lack of available data for the business and commercial banking (BCB) clients and the immateriality of the lending to larger corporate clients.

Our target and reported emissions cover scope 1, 2 and 3 emissions, as per the Target Setting Guidance.

Scope 3 category 3 (fuel- and energy-related activities) is considered the most important, however where appropriate other scope 3 categories are considered due to variations in client business models such as franchising.

Units

Primary: Physical intensity (gCO_2e/pkm) where pkm is passenger km for road passenger transport
We have selected an intensity-based target to facilitate client comparisons.

Secondary: Absolute financed emissions (MtCO_2e)
We are committed to track absolute emissions in line with our Bank overall ambition.

Calculation methodology basis

Baseline

2019 has been selected as the baseline year, as it is the latest year with sector-level data available (when the target was set) that did not suffer a significant impact from Covid-19.

Financed emissions calculations

As these are corporate loans, we apply the PCAF business loan approach.

The PCAF standard (part A) outlines 3 options for calculating the financed emissions for business loans, depending on the emissions data available This is outlined in the PCAF standard (part A) table 5-7 and the options available are summarised in the table on **page 16.**

For road transport business loans, we apply options 1(a and b), 2b and 3(a and b).

In the PCAF business loan approach, applying option 1, the absolute financed emissions of a client, e_f, is given by:

$$e_f = a_f \times e_c$$

where a_f is the attribution rate and e_c is the client's emissions. The attribution rate is calculated by dividing the lending amount by their enterprise value including cash (EVIC) or their total capital, i.e. total debt + total equity.

$$a_f = \frac{\text{Lending amount}}{\text{EVIC or Total capital}}$$

Applying option 2, the absolute financed emissions of a client, e_f, is given by:

$$e_f = a_f \times e_c$$

where a_f is the attribution rate as in option 1 and e_c is the client's emissions. The client emissions are calculated by:

$$e_c = p_c \times ef_t$$

where ef_t is the emission factor for the product type and p_c is client physical mileage.

Applying option 3a, the client emissions, e_c, is approximated by:

$$e_c = r_c \times ef_r$$

where r_c is the client revenue and ef_r is the emission revenue factor of the sector. The remainder of the calculation is the same as in option 1.

Applying option 3b, the absolute financed emissions of a client, e_f, is given by:

$$e_f = \text{Lending amount} \times ef_a$$

where ef_a is the emission asset factor of the sector.

The financed passenger mileage of a client, m_f, is given by:

$$m_f = a_f \times m_c$$

where m_c is the total vehicle mileage of a client.

Where reported m_c is available, this will be used, otherwise this will be estimated by:

If scope 1 and 3 emissions are client level:

$$m_c = \frac{\text{Scope 1 + Scope 3 (client level)}}{\text{Tank to wheel + well to tank (sector level emission factors)}}$$

Otherwise, if scope 3 is sector level:

$$m_c = \frac{\text{Scope 1 sector level}}{\text{Tank to wheel sector level emission factors}}$$

Scope 3 emissions can be estimated by:

$$e_c = m_c * \text{Well to tank sector level emissions factor}$$

Our environmental metrics continued

Road passenger transport continued

The financed emissions intensity of a client, i_f, is given by:

$$i_f = \frac{e_f}{m_f}$$

The overall financed emissions intensity of the portfolio is calculated using the formula below:

$$\text{Portfolio emission intensity} = \frac{\text{Portfolio financed emissions } (gCO_2e)}{\text{Portfolio passenger kilometre (pkm)}}$$

Where CDP scope 3 data only contains any combination of categories 5, 6 & 7, this data will be rejected in favour of other sources based on the Calculation options and data quality score table on page (21). This is to avoid the use of emissions deemed to be immaterial, and unlikely to cover the material scope 3 categories for the clients in this sector.

Scenario and reference pathways

The Balanced Pathway, published in the CCC's Seventh Carbon Budget, has been used as the portfolio reference pathway as our clients are UK based.

Assumptions

The main assumptions used in the emissions and target calculations for road passenger transport clients are:

- The PCAF business loan approach is appropriate for the road passenger transport portfolio
- While the leasing vehicles portfolio represents the large and global road industry, the use of our lending is UK specific. Therefore, the UK DESNZ emission factors are appropriate
- The reported scope 1 emissions of the clients are actually the tailpipe emissions while their scope 3 emissions are mainly the upstream well-to-tank emissions. This assumption may not be correct for clients with mixed transport portfolios. However, where emissions data is not available split by transport type, the approach offers a consistent view of portfolio emissions
- In setting the portfolio target, we assume a static balance sheet and fuel type split from baseline year to 2030

Sources

The sources used in the calculation of our financed emissions (absolute and intensity) are summarised on **page 32**.

Data quality score

As recommended by PCAF, a data quality score has been assigned to each loan emission calculation, based on the quality of the source data. The overall PCAF score for the portfolio is the weighted average of the PCAF scores of the individual loans (weighted by the loan amounts). The overall PCAF scores for the road passenger transport sector are: 1.1 for scope 1 and 2 and 2.5 for scope 3 for 2024.

Our environmental metrics continued

Energy

We have set three targets in relation to the energy sector. They are thermal coal, oil and gas, and power generation.

Thermal coal

Target and scope

We achieved our target to fully exit thermal coal power in the UK by 2023. We have set a target to fully exit all entities that operate thermal coal facilities by 2030.

Thermal coal is coal used by power plants and industrial steam boilers to produce steam, electricity, or both. Our approach applies to all customers involved in the following activities: coal mining (including thermal coal exploration, coal mine construction and coal mine operation), energy utilities, coal power generation and provision of services or supply of equipment to coal-fired power stations and/or thermal coal mines.

Methodology

This target is a commitment to exit all entities that operate thermal coal facilities by 2030 and will currently be tracked through lending exposure to the sector as opposed to annual emissions estimates. This target is only applicable to our corporate and institutional clients (clients with a turnover >£100 million) and excludes any small and medium-sized clients within our portfolio that would form part of the supply chain to the energy and coal mining entities. The target relating to thermal coal mining excludes commodities trading activities.

Oil and gas

Target and scope

We have set a target to reduce our oil and gas sector absolute emissions by 50% to 3.6MtCO_2e by 2030 (from a 2019 baseline). We have used the ACA to set our target for this sector.

Our target and reported emissions cover scope 1, 2 and 3 emissions for clients, as per the Target Setting Guidance guidelines. Scope 3 emissions form a substantial part of this sector's emissions, and all categories are included in the baseline and target in line with Target Setting Guidance, with category 11, use of sold products, considered to be the most material.

We set our target and calculate our financed emissions based on our lending to clients in extraction, refining and transport via pipeline, including commodities trading arms of supermajor oil and gas clients but not including support services and other commodity traders to avoid double counting and as the decarbonisation pathway for this part of the value chain does not align to the chosen scenario.

Units

Absolute financed emissions (MtCO_2e).

Calculation methodology basis

Baseline

2019 has been selected as the baseline year, which is the latest year with sector-level data available, and within two years of when the target was set as required by the Target Setting Guidance.

Target

While the baseline year remains 2019, we noted that there was a large reduction in portfolio financed emissions in 2021 due to a small number of large clients exiting the portfolio. To ensure our target was robust, we used the following methodology to account for the portfolio change:

- We reassessed our target by removing these clients from the baseline portfolio at 2019 and recalculating the financed emissions for 2019 which showed a 30% reduction
- We then used the IEA NZE pathway of 28% absolute emissions reduction from 2019 to 2030 and applied it to the remaining portfolio
- That led us to set the target for a 50% reduction from the original baseline emissions
- Due to improvement in the data quality and changes in the data hierarchy for calculating financed emissions there are some movements in the 2019 baseline year emissions. As this movement in the baseline would have affected the way the target was set the reference pathway has been updated to match the 2019 baseline and also adjusted to match the 2030 target reduction of 50%. A new set of scenarios have been released by the IEA and the targets and pathways are due to be reviewed in early 2026.

Financed emissions calculations

We calculate emissions for oil and gas in line with the PCAF business loans approach.

The PCAF standard (part A) outlines three options for calculating the financed emissions for business loans, depending on the emissions data available. This is outlined in the PCAF standard (part A) table 5-7 and the options available are summarised in the table on **page 16**.

For oil and gas business loans, we apply options 1(a and b) and 3(b and c).

In the PCAF business loan approach, applying option 1, the absolute financed emissions of a client, e_f, is given by:

$$e_f = a_f \times e_c$$

where a_f is the attribution rate and e_c is the client's emissions. The attribution rate is calculated by dividing the lending amount by their enterprise value including cash (EVIC) or their total capital, i.e. total debt + total equity.

$$a_f = \frac{\text{Lending amount}}{\text{EVIC or total capital}}$$

Applying option 3, the absolute financed emissions of a client, e_f, is given by:

$$e_f = \text{Lending amount} \times ef_a$$

where ef_a is the emission asset factor of the sector.

Where our customers report their emissions for scope 1, 2 and 3 these are used. If they do not report emissions for one or more scopes, a modelled emissions figure is taken from S&P, where available.

Where modelled emission figures are unavailable, we derive emission estimates from UK sector-level data. For scope 1 and scope 2, the financed drawn amount is multiplied by the emissions to asset ratio based on the UK-sector data (i.e. the ONS emission factors).

For scope 3, we calculate our own scope 3:scope 1+2 ratios by combining all available CDP, S&P and Manual emissions data that has a PCAF score of three or better. After removing duplicate data entries for companies, the emissions estimates are summed for each scope, by SIC code, with the scope3:scope1+2 ratio, calculated using these totals. These ratios are then used to estimate scope 3 emissions if no other data source exists.

Within scope 3, category 11: Use of sold products is the most material source of emissions, with this one category making up most of the emissions for the sector. To ensure that it is captured, if we are aware that a client does not report their Category 11 or downstream emissions, then the source for the scope 3 will be ignored and another emissions estimate source will be used instead.

Our environmental metrics continued

Energy continued

Scenario and reference pathways

The IEA NZE 2050 has been used as our portfolio reference pathway which provides a global pathway to net zero CO_2 emissions to align with the Group's net zero commitment.

This pathway was chosen as it aligns to peers, had data available at a sufficiently granular level, has an annual update frequency, is 1.5°C aligned, relies more on renewable energy and has overall lower energy use (therefore less reliance on carbon removal).

Based on the oil and gas portfolio financed emissions 2019 baseline, we calculate the ratio to the current global emissions. We use this ratio as a constant to calculate the projected emissions to net zero according to the NZE 2050 pathway.

Assumptions

The UK sector emissions profiles are representative of the emissions profiles within the Commercial Banking portfolio as a major part of the portfolio are either SME/mid-corporate or unlisted UK corporations.

The PCAF business loan approach is appropriate for the oil and gas portfolio (top-down approach used where client-level data not available).

Sources

The sources used in the calculation of our financed emissions are summarised on **page 32**.

Data quality score

As recommended by PCAF, a data quality score has been assigned to each loan emission calculation, based on the quality of the source data. Where scope 3 upstream and downstream emissions for a client are from different sources, a conservative approach is taken and the higher of the PCAF scores is used for the total loan scope 3 emissions. The overall PCAF score for the portfolio is the weighted average of the PCAF scores of the individual loans (weighted by the loan amounts). The overall PCAF scores for the oil and gas sector are: 1.2 for scope 1 and 2 and 2.2 for scope 3 for 2024.

Power generation

Target and scope

We have developed an intensity-based target for our power sector to reduce emissions intensity by 81% to 51gCO_2e/kWh by 2030 (from a 2020 baseline). We have used the SDA to set our target for this sector.

We have included project finance and corporate loans within this calculation, with the focus on corporate and institutional customers that have been specifically identified as electricity generating companies. We have opted to exclude small and medium-sized clients which have lower lending value. We have excluded power distribution and transmission finance. We do not provide any project finance for emissions removals, whether nature or technology based, at this time.

Our target and reported emissions cover scope 1 and 2 emissions for corporate clients. Where they exist, biogenic emissions are included within the reported scope 1 and scope 2 emissions.

For project finance, the information for scope 2 emissions is not available and thus excluded from the baseline and target setting. Where the technology type is biomass, we have included the biogenic CO2 emissions within scope 1. This inclusion of Biogenic emissions is due to be reviewed at the same time as the energy targets in early 2026.

Scope 3 has been excluded from the target setting as data and client target information is limited.

Units

Primary: Physical intensity (gCO_2e/kWh)
We have selected an intensity-based target to facilitate client comparisons.

Secondary: Absolute financed emissions (MtCO_2e)
We are committed to track absolute emissions in line with our Bank overall ambition.

Calculation methodology basis

Baseline

2020 has been selected as the target baseline year, as the latest year with sector-level data available, and within two years of setting target as per the Target Setting Guidance.

Financed emissions calculations

For corporate loans, we have used the PCAF business loan approach.

The PCAF standard (part A) outlines three options for calculating the financed emissions for business loans, depending on the emissions data available. This is outlined in the PCAF standard (part A) table 5-7 and the options available are summarised in the table on **page 16.**

For power generation business loans, we apply options 1(a and b), 2b and 3(a, b and c).

In the PCAF business loan approach, applying option 1, the absolute financed emission of a client, e_f, is given by:

$$e_f = a_f \times e_c$$

where a_f is the attribution rate and e_c is the client's emissions. The attribution rate is calculated by dividing the lending amount by their enterprise value including cash (EVIC) or their total capital, i.e. total debt + total equity.

$$a_f = \frac{\text{Lending amount}}{\text{EVIC or Total capital}}$$

The financed power generated (kWh) of a client, p_f, is given by:

$$p_f = a_f \times p_c$$

where p_c is the power generated (kWh).

And the financed emissions intensity of a client, i_f, is given by:

$$i_f = \frac{e_f}{p_f}$$

For project finance, we have used the PCAF project finance approach.

The PCAF standard (part A) outlines three options for calculating the financed emissions for project finance, depending on the emissions data available. This is outlined in Table 5-10 of the PCAF standard (part A) and the options available are summarised in the table on **page 16.**

For power generation, project finance, we apply option 2b.

In the PCAF project finance approach, applying option 2, the absolute financed emissions of a client, e_f, is given by:

$$e_f = a_f \times e_c$$

where a_f is the attribution rate and e_c is the client's emissions.

The client emissions are calculated by:

$$e_c = p_c \times ef_t$$

where ef_t is the emission factor for the technology type.

The attribution rate is calculated by dividing the lending amount by the project value as defined by the project total equity and total debt.

$$a_f = \frac{\text{Lending amount}}{\text{Project value*}}$$

*Project value = Max(0,Total equity)+Total debt

Where total equity and total debt cannot be sourced, total assets may be used instead, if available.

The formulae for the financed power generated and financed emissions intensity of a client for project finance are the same as the formulae used in the business loan approach.

The portfolio emissions and power generated are the sum of the client financed emissions and financed power generated.

Our environmental metrics continued

Energy continued

Emissions intensity for the portfolio is calculated using the formula below:

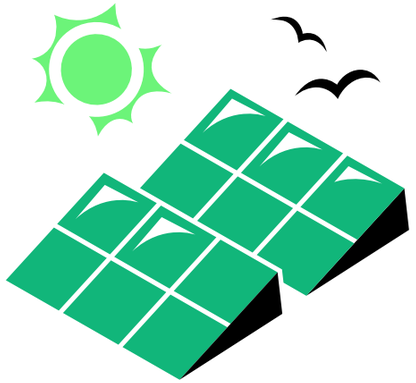
$$\text{Portfolio emission intensity} = \frac{\text{Portfolio financed emissions } (gCO_2e)}{\text{Portfolio power generated (kWh)}}$$

Scenario and reference pathways

The IEA NZE 2050 has been used as our portfolio reference pathway, as this pathway places little reliance on technologies still under development, such as carbon capture and storage, relying instead on faster decarbonisation of electricity production.

We have used IEA 2021 World Energy Outlook's SDS to adjust the NZE 2050 scenario to be OECD-specific for our portfolio benchmark pathway, to reflect the geographical coverage of our corporate clients. The more granular power generation and emissions data was used to determine the OECD components of the global totals (by power generation type) and then these were applied to the generation and emissions in the NZE 2050 scenario.

We have adjusted the SDA formula to be based on a convergence point at 2035. This means that net zero emissions are targeted to be achieved by 2035, as outlined in UK policy set out in 2019, where the majority of overall lending was located.



Assumptions

The main assumptions used in the baseline emissions calculations are:

- The UK sector emissions profiles are representative of the emissions profiles within the Commercial Banking portfolio as the few clients which have no client-level nor production data are unlisted UK corporations
- The PCAF business loan approach is appropriate for the power generation corporate portfolio
- The PCAF project finance approach is appropriate for the Commercial Banking power project finance portfolio

Sources

The sources used in the calculation of our financed emissions (absolute and intensity) are summarised on **page 32**.

For project finance, internal project finance models are used to obtain generation data and total debt and total equity of the projects.

Data quality score

As recommended by PCAF, a data quality score has been assigned to each loan emission calculation, based on the quality of the source data. The overall PCAF score for the portfolio is the weighted average of the PCAF scores of the individual loans (weighted by the loan amounts). The overall PCAF scores for the power sector is 2.8 for scope 1 and 2.

Our environmental metrics continued

Agriculture

Target and scope

We have set a target to reduce our agriculture sector absolute emissions by 23% to 5.1MtCO_2e by 2030 (from a 2021 baseline). We have used the ACA to set our target for this sector.

Based on the GHG Protocol Agricultural Guidance, the sector target should cover emissions up to the farm gate, i.e. scope 1, 2, and 3 upstream. Due to data constraints, our target and reported emissions only cover scope 1 and 2.

We considered biogenic carbon, i.e. carbon stocks from land use management and carbon sequestration, but there is a lack of data for baselining. Therefore, we have excluded the biogenic carbon reporting to date.

The scope of the target covers agricultural loans across the Bank portfolio. In developing these targets, we also included Scottish Widows' agriculture loans (a securitised book of agricultural mortgages), recognising all assets are managed by the Bank. Scottish Widows has its own, separate net zero target (see **page 34**).

Exclusions from the target scope and the reasons for exclusion are outlined below:

- Forestry and fishing loans were excluded as not material to the portfolio
- Landed estates were excluded due to the difficulty in separating agricultural and non-agricultural activities
- Government bounce back loans and loans made under the Coronavirus Business Interruption loan scheme were to support clients during the Covid-19 pandemic and not related to the investment into the business per se. The expectation is that these loans will be paid back before 2030

Units

Absolute financed emissions (MtCO_2e)

Calculation methodology basis

Baseline

2021 has been selected as the baseline year. This is the earliest baseline year allowed for which we had data for when the target was set in 2023. The 2021 baseline emissions was first calculated using the 2021 ONS data and subsequently restated.

Target

We have used the ACA to set an absolute reduction target on our Agricultural financed emissions, with a view to setting a revenue intensity target (at a future date when sufficient accurate data is available).

Whilst we set the baseline year to be 2021, in 2022 the portfolio reduced in size resulting in a significant reduction in financed emissions. We therefore carried out the following steps to set the target for absolute financed emissions reduction between 2021 and 2030.

- Calculated the 2021 and 2022 financed emissions as per the approach below
- Calculated the difference between 2021 and 2022 emissions and confirmed that it was a material reduction
- Calculated the percentage reduction from 2022 to 2030 from the scenario pathway

The target was then calculated as the total of the actual reduction between 2021 and 2022 and the reduction from 2022 to 2030 required by the scenario pathway.

Financed emissions calculations

Emissions are calculated in line with the PCAF business loan approach.

The PCAF standard (part A) outlines three options for calculating the financed emissions for business loans, depending on the emissions data available. This is outlined in the PCAF standard (part A) table 5-7 and the options available are summarised in the table on **page 16.**

Our environmental metrics continued

Agriculture continued

For agriculture business loans, we apply options 1 and 3 (a and c).

In the PCAF business loan approach, applying option 1, the absolute financed emissions of a client, e_f, is given by:

$$e_f = a_f \times e_c$$

where a_f is the attribution rate and e_c is the client's emissions. The attribution rate is calculated by dividing the lending amount by their enterprise value including cash (EVIC) or their total capital, i.e. total debt + total equity. In cases where we are using prior-year financial data, it is possible that the calculated attribution factor may exceed 1, but as previously stated the attribution factor is capped at 1.

$$a_f = \frac{\text{Lending amount}}{\text{EVIC or total capital}}$$

Applying option 3a, the client emissions, e_c, is approximated by:

$$e_c = r_c \times ef_r$$

where r_c is the client revenue and ef_r is the emission revenue factor of the sector. The remainder of the calculation is the same as in option 1.

Applying option 3c, the absolute financed emissions of a client, e_f, is given by:

$$e_f = \text{Lending amount} \times ef_a$$

where ef_a is the emission asset factor of the sector.

For the baseline year of 2021, a minority of the portfolio drawn balance is covered by client level emissions (only BCB clients) as obtained from the Soil Association Exchange (SAX) data and client financials. The SAX data is only available for a single point between 2022 and 2025 as each farm is assessed once. We have applied this data retrospectively to 2021 and will also roll the data forward to future years.

Due to the difference in the underlying carbon calculators used by farmers and reported to SAX, there are instances where SAX will report a total emissions number but are unable to break it down into the component scopes or one or more scopes of emissions may be missing. In these instances, we approximate the missing scope of emissions using the assumptions below.

- scope 1 = 68% x total emissions
- scope 2 = 1% x total emissions

These ratios are calculated using the total emissions, scope 1 and scope 2 data across the group of clients where all of these data points are available.

Due to portfolio size and constraints with manual data collection, the most up-to-date financial data may not be available when completing this calculation. Where financial data is unavailable, we have rolled the available data either forward or backward by at most five years, in line with the roll forward strategy described on **page 16.**

For the baseline year, only about 6% of BCB clients have revenue data, covering a minority of the drawn portfolio. The client revenue-based calculation uses the PCAF revenue emission factors and the client financials. We apply the same roll forward strategy to revenue data as to other data sources.

Currently, we are using the Exiobase revenue emission factors from the PCAF database. As these emission factors were from 2019 and have not been updated by Exiobase, we have followed PCAF guidance and adjusted the emission factors for inflation using the CPI inflation rate.

Emissions for the rest of the portfolio are calculated using ONS emission factors.

Assumptions

- The sector-based calculation excludes land value attribution as the underlying data for the ONS emission factors do not include land value; inclusion of land value could result in a significant reduction in the baseline on an absolute emissions basis

Scenario and reference pathways

The Balanced Pathway, published in the CCC's Seventh Carbon Budget, (covering agriculture and excluding land use, land use change and forestry) has been used as the portfolio reference scenario as our clients are UK-based.

This scenario does not include scope 2 data; this has not been adjusted for due to the relative immateriality to the sector.

Sources

The sources used in the calculation of our financed emissions are summarised on **page 32**.

While the roll forward strategy for the Agricultural sector is the same as the other Commercial Banking sectors, its data source hierarchy is different as CDP or S&P data are not used.

SAX data is used where available in preference to turnover data. Where neither is available, ONS emission factors are used.

Data quality score

As recommended by PCAF, a data quality score has been assigned to each loan emission calculation, based on the quality of the source data. The overall PCAF score for the portfolio is the weighted average of the PCAF scores of the individual loans (weighted by the loan amounts). The overall PCAF score for the agriculture sector is 4.6 for 2024.

Commercial and residential real estate (C&RRE)

Target and scope

We have developed an intensity-based target for our C&RRE sector to reduce the emissions intensity by 43% to 22kgCO_2e/m^2 by 2030 (from a 2021 baseline). We have used the SDA to set our target for this sector.

Based on the GHG Protocol commercial and residential real estate guidance and the Target Setting Guidance, when setting our target we should take a "whole building approach", including all operational emissions from the use of buildings and emissions from tenant use. These correspond to scope 1, 2 and 3 (category 13 – downstream use of leased assets). In alignment with the whole buildings approach to emissions reporting set out by PCAF, these are subsequently reported by the Group as scope 1 and 2, however scope 3 category 13 numbers are included in the calculation process. Scope 3 upstream categories, including embodied emissions from construction, are excluded due to an absence of data or methodologies to accurately calculate the emissions and the limited capability of the Group to influence their reduction. Downstream scope 3 categories aside from category 13 are excluded due to immateriality.

Fugitive emissions are excluded due to the absence of data or an agreed methodology by which to account for them. Unregulated emissions are included in the assessments.

Commercial Banking assets in real estate investment are included, selected by filtering by SIC code for 68200, 68202, 68209, 68305, or 68306. Additionally, housing associations are included using SIC code 68201. Construction, housebuilders and real estate development are excluded due to having a different emissions profile and different data requirements. Agricultural Mortgage Corporation (AMC) clients are not filtered based on SIC code. Instead, all AMC clients are included where their main enterprise type is commercial let, commercial security, holiday cottages, residential let, or rural property lending.

The 2021 baseline has been slightly adjusted this year to reflect small changes as a result of improving data quality where better matching has been achieved between internal databases. We have also made some small methodological changes which have enabled us to calculate more accurate emissions factors for each historical year.

Units

Primary: Physical intensity (kgCO_2e/m^2)

Secondary: Absolute financed emissions ($MtCO_2e$)
We are committed to track absolute emissions in line with our Bank overall ambition.

Calculation methodology basis

Baseline

2021 has been selected as the baseline year. This is in line with the Target Setting Guidance, that the baseline year is no more than two years prior to the year the target was set.

Financed emissions calculations

The financed emissions calculation is split into three sections:

- Unsecured lending (business loans PCAF asset class)
- Secured lending matched to buildings (commercial real estate asset class)
- Secured lending not matched to buildings (commercial real estate asset class)

For unsecured lending, the traditional PCAF business loans asset class methodology is used. The PCAF standard (part A) outlines three options for calculating the financed emissions for business loans, depending on the emissions data available. This is outlined in the PCAF standard (part A) table 5-7 and the options available are summarised in the table on **page 16** .

For C&RRE business loans, we apply options 1a, 1b and 3b.

Reported emissions data is used wherever it is available and multiplied by an attribution factor to obtain financed emissions. Where this data is not available, the outstanding balance is multiplied directly by the ONS-based emissions factor for the specific SIC code to estimate financed emissions.

Applying option 1 from the PCAF standard (part A, Chapter 5.1), the absolute financed emissions of a client, e_f, is given by:

$$e_f = a_f \times e_c$$

where a_f is the attribution rate and e_c is the client's emissions. The attribution rate is calculated by dividing the lending amount by their enterprise value including cash (EVIC) or their total capital, i.e. total debt + total equity.

$$a_f = \frac{\text{Lending amount}}{\text{EVIC or Total capital}}$$

Where this data is not available, the outstanding balance is multiplied by the ONS-based emissions factors for scopes 1 and 2, for the specific SIC code, to estimate scope 1 and 2 financed emissions. Scope 3, category 13, emissions are then estimated by multiplying by a scope 3:scope 1+2 emissions factor. This factor is derived from reported emissions data from across the sector.

For secured lending, the PCAF commercial real estate asset class methodology is used. The PCAF standard (part A) outlines several options for calculating the financed emissions for commercial real estate assets, depending on the emissions data available. This is outlined in the PCAF standard (part A) table 5-14 and the options available that we use are summarised in the table below.

Calculation options and data quality score

Option (note 1)	Outstanding loan amount	Floor area	Number of buildings	Estimated energy consumption and average emission factors		PCAF data quality score
				Official building energy labels	Building type and location	
2a	Y	Y		Y	Y	3
3	Y		Y		Y	5

Our environmental metrics continued

Commercial and residential real estate (C&RRE) continued

For secured lending matched to buildings, we use a methodology based on 2022 PCAF Commercial Real Estate factors. The 2022 factors are used as they are prepared on a basis consistent with prior reporting. This year we have amended our methodology, adjusting these emissions factors for 2021, 2023, and 2024 by adjusting for the actual intensity of the grid, leading to the scope 2 element of the emissions factors decreasing over time.

The floor area of each building is multiplied by an emissions factor which depends on the year, the building's EPC, property type and region. Where possible, the floor area of each building as captured in the EPC register is used. This year we have onboarded a new data provider, SkenarioLabs, providing this required data, whereas previously we used the third-party data provider CFP. For buildings with both SkenarioLabs and CFP data, we use SkenarioLabs data. If neither is available and a floor area is included in the Group's internal datasets, this is used. If floor area is not available from any of the sources detailed above, CFP model a floor area for the building based on its location and property type. CFP also model an EPC energy rating where one is not found. Where a property type is not found, the CFP modelling assumption is that the property is of the most commonly occurring type for records in its database. The emissions estimate based on modelled data is given a PCAF score of 5.

2023 building level data is rolled forward to 2024 to mitigate data quality issues in 2024. The emissions estimates are then adjusted to account for the decreased intensity of the grid in 2024. CFP and SkenarioLabs match addresses from the Group's internal databases to the EPC Register. These addresses may be incomplete or abbreviated which results in some incorrect matches to the EPC Register, this is a known limitation of the process.

This building level emissions estimate is then multiplied by an attribution factor where the denominator is the building's valuation to calculate financed emissions. Valuations are taken from the Real Estate Database and the Social Housing Database, both internal to the Group. These represent the latest documented valuations for the buildings, hence some of these will be loan valuation at origination and some will be latest valuation. In accordance with PCAF, where we are using the latest valuation we will then use the same value for future reporting, establishing constant denominators to the attribution factors. This corresponds to option 2a in the table on **page 26**.

Secured lending financed emissions are calculated using the formula below from the PCAF standard (part A, Chapter 5.5 Mortgages):

$$\text{Property financed emissions} = \text{Property attribution factor} \times \text{Property emissions}$$

where the property attribution factor is calculated as:

$$\text{Property attribution factor} = \frac{\text{Outstanding amount}}{\text{Property value at origination}}$$

For secured lending which cannot be matched to specific buildings, financed emissions are extrapolated based on the secured financed emissions that can be matched for each client. If a client has secured lending which cannot be matched to specific buildings and has no secured lending matched to buildings, a portfolio average of financed emissions per £ of secured lending that is matched is used. This is a methodology developed internally due to unique data challenges not addressed by PCAF. These portfolio averages are calculated for each reporting year with portfolio averages being calculated separately for housing associations and the total portfolio excluding housing associations. This corresponds to option 3 in the table on **page 26**. The 2022 average for the portfolio, excluding housing associations, is also used for 2021 non-housing associations. This is due to data limitations in 2021 which created a skewed average.

Emissions intensity for the portfolio is calculated using the formula below:

$$\text{Portfolio emission intensity } (kgCO_2e/m^2) = \frac{\text{Portfolio financed emissions } (kgCO_2e)}{\text{Financed portfolio floor area } (m2)}$$

Floor area is obtained at a building level, and aggregated. Where lending can't be matched to specific buildings, we assume it is secured and extrapolate the floor area from the data for other buildings in the portfolio. For scope 2 emissions, the 2022 PCAF emissions factor matching the building type is used. For years apart from 2022, this factor is rescaled proportionate to grid intensity disclosed in the Seventh Carbon Budget.

Portfolio financed emissions is the total of unsecured lending financed emissions and secured lending financed emissions.

Assumptions

Exposures which cannot be linked to specific unsecured or secured lending are assumed to be secured lending.

- Where the client has other secured lending, the emissions intensity is assumed to be the same as the rest of the client's secured lending
- Otherwise, we use the average of emissions intensity across the secured lending portfolio

For a secured client, the exposure considered secured and matched to buildings is the share of the utilisation of secured facilities apportioned to buildings mapped to the client. The remaining client exposure is considered secured but not matched to buildings. This matching process is imperfect as a result of data limitations which we are working to resolve.

We have assumed that the physical intensity of unsecured lending is equal to the average physical intensity of the secured lending matched to buildings. These averages are calculated across the portfolio split by year and whether or not each building is a social housing unit. Financed emissions for unsecured lending is then divided by this average intensity to estimate floor area.

Sector growth rates are based on Carbon Risk Real Estate Monitor UK assumptions.

Where a group of buildings is valued for collateral purposes, the valuation is split across the buildings in proportion to each building's floor area.

Scenario and reference pathways

Our lending portfolio is UK-based, therefore we have used the Balanced Pathway, published in the CCC's Seventh Carbon Budget. We use the private rental and social housing pathways to create a pathway weighted to reflect the mix of residential buildings within our portfolio. We then combine this with the non-residential pathway, again based on our portfolio mix, to create an overall pathway.

Sources

The sources used in the calculation of our financed emissions (absolute and intensity) are summarised on **page 32**.

In addition, the following internal sources are used:

- Internal buildings data from Real Estate Database and Social Housing Database
- Internal data on sustainability-linked loans
- BEES survey data on energy use in different building types in the UK

Data quality score

As recommended by PCAF, a data quality score has been assigned to each loan emission calculation, based on the quality of the source data. The overall PCAF score for the portfolio is the weighted average of the PCAF scores of the individual loans (weighted by the loan amounts) and it is 4.5 for 2024.

Our environmental metrics continued

GmbH mortgages

Scope

Financed emissions are calculated for GmbH's Dutch mortgage portfolio which includes a mix of owner-occupied and buy-to-let mortgages.

Given the materiality of this portfolio, we have not set a specific emissions reduction target at this time, though the financed emissions of the portfolio are being reported for transparency. The Group will continue to review this assessment going forward. GmbH was established in 2019, and hence was not previously included within the scope of the Group's 50% financed emissions reduction ambition which has a 2018 baseline. We are now reporting GmbH financed emissions within our Group totals (all years from 2021).

Units

Primary: Physical intensity ($kgCO_2e/m^2$/year): Emissions emitted per square metre of financed property per year.

Secondary: Absolute financed emissions (k tonnes CO_2e/year): Aggregated annual emissions associated with all financed activities.

Calculation methodology

Baseline

The first year we have calculated financed emissions for is 2021, as this was the first year EPC data was received. We have applied the PCAF approach to calculate emissions for mortgages, ensuring consistency with industry standards and comparability across reporting periods.

In line with the PCAF standard (part A) guidance (Chapter 5.5 Mortgages), also used for the UK residential mortgages, financed emissions are calculated as:

$$\text{Financed emissions} = \text{Attribution factor} \times \text{Property emissions}$$

where the attribution factor is calculated as:

$$\text{Property attribution factor} = \frac{\text{Outstanding amount}}{\text{Property value at origination}}$$

and building emissions are calculated as:

$$\text{Property emissions} = \text{Emission factors} \times \text{Property floor area}$$

We used the emission factors developed by the PCAF Netherlands Mortgage Working Group. These factors reflect actual household gas and electricity usage in the Netherlands for 2022, segmented by property type and EPCs.

Key assumptions

- Financed emissions are calculated for 100% of the Bank's Dutch mortgage lending, although approximately 2% of the required data on EPCs and/or floor area/house type is unavailable. Where EPCs are unavailable, emissions are calculated based on average values from known EPCs, and missing floor area is derived from their average values
- Non-definitive EPCs would closely reflect definitive EPCs if those properties were to be assessed
- Definitive EPCs accurately report energy efficiency, although it might not reflect subsequent renovations or improvements
- Updated PCAF Netherlands Mortgage Working Group emissions factors remain applicable to our mortgage book

Sources

The sources used in the calculation of our financed emissions are summarised on **page 32**. We also used emissions factors developed by the PCAF Netherlands Mortgage Working Group. In addition, the Netherlands Mortgage Information Database (MIDB) was used as an internal source.

Data quality score

Due to the issue of data availability, we used option 2a recommended by PCAF. A data quality score is calculated at the property level by attaching score 3 to known EPCs, house types, and score 5 to unknown EPCs or house types, resulting in an overall data quality score of 3.1 for 2024.

Bank sovereign bonds

We report emissions data on sovereign bonds for the purposes of transparency, following the issuance by PCAF of methodology on sovereign debt in December 2022 in an update to the PCAF standard (part A).

PCAF have defined scope 1, 2 and 3 as follows for this asset class:

- **Scope 1** Domestic GHG emissions from sources located within the country territory (production emissions). This aligns with the United Nations Framework Convention on Climate Change (UNFCCC) definition of domestic territorial emissions, including emissions from exported goods and services
- **Scope 2** GHG emissions occurring as a consequence of the domestic use of grid-supplied electricity, heat, steam and/or cooling which is imported from another territory
- **Scope 3** Emissions attributable to non-energy imports as a result of activities taking place within the country territory

PCAF note that there is a divergence of views regarding the accounting of land use, land-use change, and forestry (LULUCF) emissions given significant data uncertainty. In order to avoid distorting the overall trends of the key sectors (energy, industrial processes) that contribute to global warming, PCAF states that scope 1 emissions should be reported both including and excluding LULUCF. PCAF also recommends that consumption emissions (domestically produced and imports) should be reported to give a more holistic view; at the current time we are only reporting using production emissions (scope 1 above), consistent with the current key metric to account for sovereign GHG emissions.

Attributed emissions are calculated by multiplying sovereign emissions by an attribution factor.

$$\text{Attributed emissions} = \text{Sovereign emissions} \times \frac{\text{Sovereign bond exposure}}{\text{Purchase Power Parity (PPP) adjusted Gross Domestic Product (GDP)}}$$

and

$$\text{Intensity} = \frac{\text{Attributed emissions}}{\text{£m invested amount}}$$

Sovereign emissions are obtained from the UNFCCC, and PPP-adjusted GDP is obtained from the World Bank. Sovereign emissions from the UNFCCC only go up to 2021 at the present time; we have used this data and 2021 PPP-adjusted GDP. The intensity metric is calculated as attributed emissions divided by £m invested amount.

PCAF notes that double counting of emissions of non-sovereign sectors (e.g. corporates) can occur due to accounting of emissions at sovereign territorial level, and that this therefore represents a challenge for an entity with multiple asset classes. PCAF go on to note that this is not necessarily problematic as long as emission results of the different asset classes are clearly reported separately.

The PCAF standard (part A) outlines an approach to measuring the data quality of the financed emissions calculated with respect to sovereign bonds. Further details of this can be found in the PCAF standard (part A). Broadly speaking the lower the number, the more robust the data underlying the calculation. For data quality score 1 PCAF says this applies where verified GHG emissions of the country are available. These GHG emissions are reported by the country itself and can be extracted from UNFCCC. As this is the data source we are using for a sovereign's production emissions, we have accordingly assigned a data quality score of 1.

Our environmental metrics continued

Bank facilitated emissions

Facilitated emissions for capital underwriting activities are calculated and reported separately to on-balance sheet financed emissions.

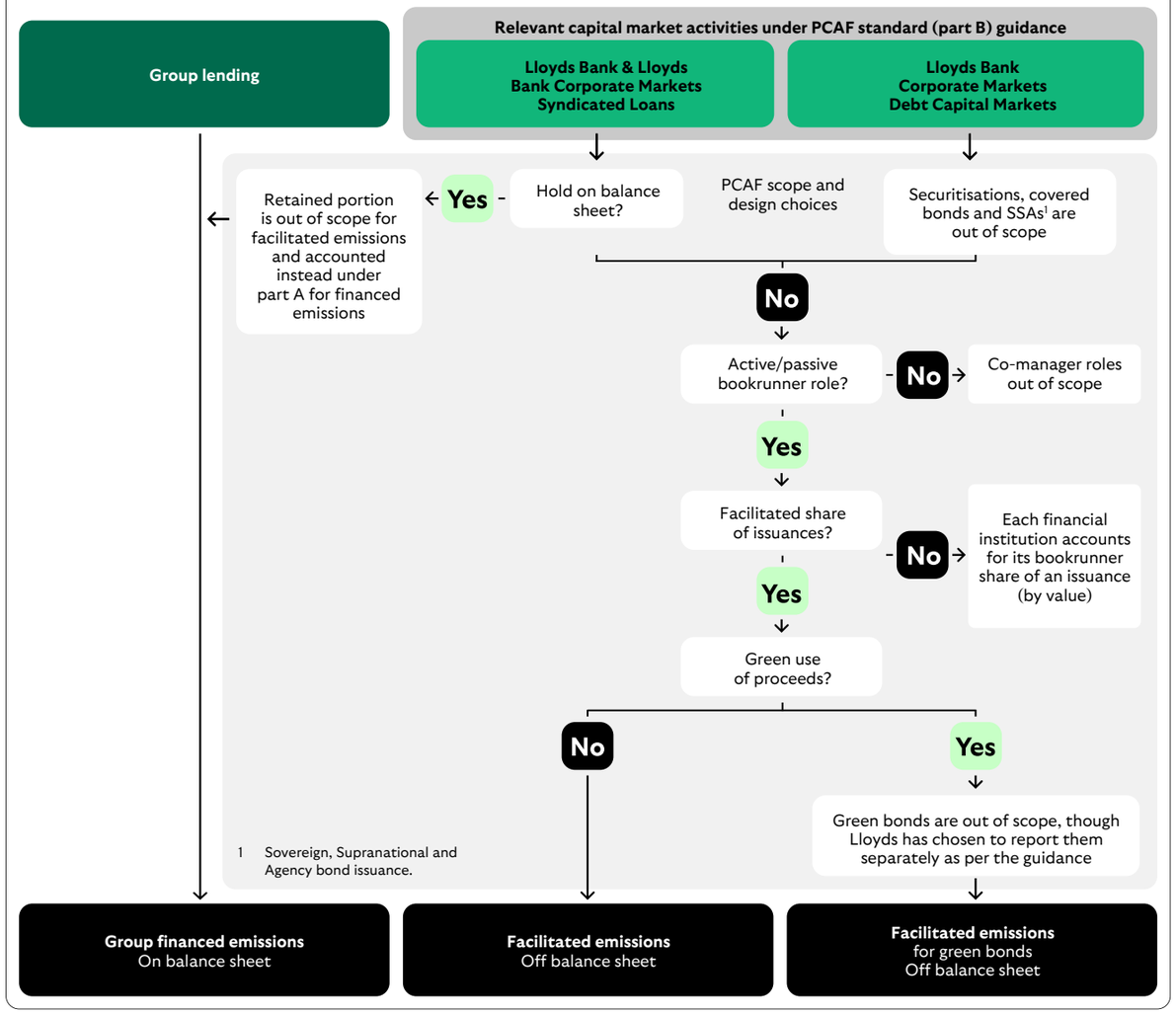
Facilitated emissions baseline

We have developed our facilitated emissions baseline in line with Facilitated Emissions – the Global GHG Accounting and Reporting Standard, published by PCAF in December 2023, referred to as the PCAF standard (part B). The facilitated emissions baseline covers the portion of primary issuances sold to investors across our Debt Capital Markets (including Private Placements) and Syndicated Loans[1]. Whilst green bonds are currently out of scope under the standard, we have chosen to be conservative by calculating facilitated emissions for them and attributing emissions as though they were non-labelled. To remain aligned with PCAF guidance, green bond facilitated emissions will be reported separately. The standard also covers the facilitation of issue of public equity (common stock and preferred shares) but Lloyds Bank does not engage in this activity.

Our baseline covers scope 1, 2 and 3 emissions. Due to data limitations, we have not separately reported biogenic facilitated emissions. Where clients include biogenic emissions as part of their report emissions, this may be captured in our reported facilitated emissions.

1 Detailed definitions available on page 47 of the PCAF standard (part B).

Facilitated emissions decision tree



There is no difference in treatment for the different types of bookrunner roles. Definitions of bookrunner and co-manager roles can be found in the glossary on page 47 of the PCAF standard (part B) →

Units

Primary: Absolute facilitated emissions ($MtCO_2e$)

Secondary: Economic intensity ($MtCO_2e$/£m)
We are also committed to track the economic intensity to allow comparisons between sectors.

Calculation methodology

We have chosen 2023 as the baseline year for our calculations, as the most recent year with emissions and facilitated data available. Details of the boundary of our reporting and recalculation approach can be found on **page 07** of this document.

Facilitated emissions calculations

Facilitated emissions from primary issuances of capital market instruments are calculated using the formula below, taken from page 27 of the PCAF Facilitated Emissions standard.

$$\text{Facilitated emissions} = \sum_{c} \frac{\text{Facilitated amount}_c}{\text{Company value}} \times \underbrace{\text{(iii) Weighting factor}}_{\text{Attribution factor (ii)}} \times \text{(i) Annual Emissions}_c$$

Where: c = The issuing company

Our environmental metrics continued

Bank facilitated emissions continued

Attribution factor (ii)

Facilitated amount:
The facilitated amount is calculated by multiplying the proportion (by value) of the issuance assigned to the facilitator (i.e. bookrunner share) by the amount of debt raised, with data sourced from internal deal tracking for bonds. Where this data was not readily available for syndicated loans, external Dealogic league tables have been used, aligned to the PCAF standard (part B). As the facilitated emissions standard only covers the portion of primary issuances that are sold to investors, the retained portion of a syndicated loan is excluded, and subject to the financed emissions standard.

Aligned to our financed emissions reporting, we report our facilitated emissions by calendar year. We account for the emissions associated with a transaction in the year the facilitation occurs, using the reported or estimated annual emissions of the issuer in that year. Where emissions aligned to the year of facilitation are not available, the latest available emissions are used. The emissions for all the transactions during the year are then aggregated to calculate the total facilitated emissions.

Company value:
For all listed companies this is the company enterprise value including cash (EVIC) of the respective client captured at 31 December in the relevant year. Only for private companies, when no market value for equity is available, EVIC is replaced by the sum of the total company equity and debt.

For listed companies:

$$\text{Attribution factor}_c = \frac{\text{Facilitated amount}_c}{\text{Enterprise value including cash (EVIC)}_c}$$

For private companies:

$$\text{Attribution factor}_c = \frac{\text{Facilitated amount}_c}{\text{Total equity + debt}_c}$$

Annual emissions (i) and associated PCAF data quality score

The PCAF standard (part B) outlines three options for calculating facilitated emissions, depending on the data available. This is outlined in the PCAF standard (part B), table 5-2 and the options available are summarised below:

- Option 1: Where client emissions and EVIC or Total Debt + Total Equity are available, the emissions calculation will have a PCAF score of 1 (verified client emission) or 2 (unverified client emissions)
- Option 2: Where client production data and EVIC or Total Debt + Total Equity are available, the emissions calculation will have a PCAF score of 3
- Option 3: Where client emissions and EVIC or Total Debt + Total Equity are not available, for scope 1 and 2 emissions, asset emissions factors derived from ONS sector level data will be used and the emissions calculation will have a PCAF score of 5

Where client level S&P Trucost estimated emissions and EVIC or Total Debt + Total Equity are available, the emissions calculation will have a PCAF score of 4.

For scope 3 emissions, a ratio, scope 1+scope 2:scope 3 emissions is used, derived from the PCAF emissions factors database, and the emissions calculation will have a PCAF score of 5.

Where emissions aligned to the year of facilitation are not available, the latest available emissions are used.

Weighting factor (iii)

PCAF includes a 'weighting factor' in the calculation of facilitated emissions. This factor is used to distinguish a financial institution's role and responsibilities in facilitating debt that is sold to investors from the role of providing the financing itself as a lender. The PCAF guidance requires the use of a 33% weighting factor, though it allows for the additional inclusion of facilitated emissions without weighting, i.e. 100% weighting. We have chosen to report our figures with and without the weighting factor, aligned to the standard. Details of PCAF's reasoning for the weighting factor being set at 33% can be found on page 32 of the PCAF standard (part B).

Note that targets have not been developed for facilitated emissions.

Sources

The sources used in the calculation of our facilitated emissions (absolute and intensity) are summarised on **page 32**.

Our environmental metrics continued

External data sources for financed and facilitated emissions

External data sources for financed and facilitated emissions													
Data source	**Homes**	**Motor**	**Auto OEM**	**Aviation**	**O&G**	**Power**	**Road passenger transport**	**Agriculture**	**C&RRE**	**Facilitated**	**Sovereign bond**	**GmbH mortgages**	**Source contents**
CDP (previously known as Carbon Disclosure Project)			●	●	●	●	●		●	●			Data set collating validated and unvalidated reported emissions data (including target data). For road passenger transport sector, source of mileage to calculate financed emissions
Standard & Poor's (S&P) Trucost Emissions			●	●	●	●	●		●	●			Data set collating reported and estimated emissions data, emissions reduction targets
Standard & Poor's (S&P) Capital IQ Financials			●	●	●	●	●		●	●			Data set collating client-level financial data including EVIC, asset and turnover
Company public disclosures			●	●	●	●	●	●	●	●			Public client disclosures including annual report and accounts for debt and equity data, sustainability reports (published emissions and targets) and data books associated with said reports
Office for National Statistics													
Emissions (at SIC code level)			●	●	●		●	●	●	●			Scope 1 emissions at SIC group level used to derive scope 1 emissions per £ of assets
Net capital stock (at SIC code level)			●	●	●		●	●	●	●			Net capital stock at SIC group/industry-level used to derive emissions per £ of assets
Supply and use tables/UK national accounts							●						Turnover at SIC group-level used to derive emissions per £ of turnover
Inflation and price indices								●					For updating the PCAF emission factors from 2019 to the latest year
Tenure statistics	●								●				Used to derive tenure-specific pathways
Department for Energy Security and Net Zero, previously Department for Business, Energy & Industrial Strategy													
Digest of UK Energy Statistics (DUKES)						●							Used to derive Power emissions factors
Fuel mix disclosure data						●							Used to derive Power emissions factors
Final UK GHG emissions			●	●	●	●	●	●	●	●			Used to derive the Scope 2 emission per £ of assets
Treasury Green Book supplementary appraisal guidance	●												Source of generation based emission factors measuring GHG emissions per unit of electricity generated. Used to update EPC carbon emissions factors with published actual data (for decarbonised emissions)
UK Government GHG conversion factors for company reporting		●	●			●	●						Factors used to convert emissions from different GHGs to CO_2e

Key ● **Data source used**

Our environmental metrics continued

External data sources for financed and facilitated emissions continued

External data sources for financed and facilitated emissions

Data source	Homes	Motor	Auto OEM	Aviation	O&G	Power	Road passenger transport	Agriculture	C&RRE	Facilitated	Sovereign bond	GmbH mortgages	Source contents
Transition Pathways Initiative			●	●									Data set containing predicted pathways for company-level emissions reduction
Seventh Carbon Budget Dataset by Climate Change Committee	●	●					●	●	●				UK Government data on national aggregated emissions, emissions reduction pathways, and emissions abatement measures
Climate Change Committee progress update	●			●	●	●	●	●	●				CCC annual disclosure reporting on progress against UK national emissions reduction pathways
International Energy Association			●	●	●	●							International organisation producing scenario pathways including IEA Stated Policies Scenario (STEPS), NZE 2050 and IEA ETP pathways
Marklines			●										Data set includes global vehicle sales (for calculation of vkm, scope 3 category 11 emissions, and emissions intensity)
International Air Transport Association				●									Data includes revenue passenger kilometres and cargo tonne kilometres
Department for Transport		●											The Department for Transport National Travel Survey is used for mileage averages where we don't have contracted mileage for the vehicle
Experian		●					●	●					For motor: to obtain CAP code and emissions data where no CAP code is held on the system but a vehicle registration is present. For agriculture: client revenue data. For road: asset/turnover ratios to estimate emissions
CAP HPI		●											CO_2 emission data where we do not capture this on source system
Building Regulations England	●												SAP 2012 methodology underpinning EPC calculations sourced from Building Research Establishment
BOLT								●					Client financial data including revenue and assets
Soil Association Exchange								●					Client data including emissions
Partnership for Carbon Accounting Financials								●	●				Emissions factors estimating emissions per £ of assets or revenue (for agriculture) and per m^2 floor area for C&RRE
Green Buildings Tool									●				Building-level data provided by CFP, including data from the EPC Register mapped to the Group's assets
Rightmove	●												EPC certificates are sourced from Department for Levelling up Housing for properties based in England and Wales and Scottish Government for properties based in Scotland via Rightmove along with property archetype data
Transport Science-Based Target Setting Guidance (developed for Science Based Target Initiative)			●				●						
World Bank											●		Purchase power parity adjusted gross domestic product
United Nations Framework Convention on Climate Change											●		Sovereign emissions
Dealogic										●			Facilitated amount
Slater												●	Mortgage servicing data such as loan details and property characteristics
Calcasa												●	Property valuation and EPC-related information
Building Energy Efficiency Surveys (BEES)									●				Survey data on energy use in different building types in the UK

Key ● **Data source used**

Our environmental metrics continued

Scottish Widows

Ambition and scope

Our ambition is to align all our investments with the goals of the Paris Agreement, reaching net zero carbon emissions by 2050 or sooner. To support this, we have set ourselves a target to halve the carbon footprint of our investments by 2030 on the path to net zero by 2050 or sooner[1].

Our updated transition plan, issued in 2025 – The Road to 2030 and Beyond → reaffirms our commitment to investing for a net zero by 2050 transition that delivers positive outcomes for our customers. Our Scottish Widows Transition Plan is in line with the UK Government's commitment to reduce greenhouse gas emissions to net zero by 2050.

Scottish Widows activities include insurance, asset ownership and asset management. This section details our methodology for the financed emissions arising from our investment portfolio.

Scope of assets

Scottish Widows Assets Under Management in scope of our headline net zero target includes:

Shareholder funds: assets held by Scottish Widows Limited and Scottish Widows Europe backing annuities and non-unitised liabilities. Investment balances in other Scottish Widows Group companies including the General Insurance business.

Policyholder funds: unitised and with-profit fund assets held in life and pension funds of Scottish Widows Limited and Scottish Widows Europe; mutual funds managed by Scottish Widows Unit Trust Managers Limited and HBOS Investment Fund Managers Limited; and the workplace savings business of Scottish Widows Administration Services Limited. In-scope assets include investment funds structured as insurance contracts. Assets outside the control of Scottish Widows are excluded, including those under administration for customers of Schroders Personal Wealth, Embark and Halifax Share Dealing Limited.

Our 2019 baseline and target scopes do not include any data in respect of sovereign bonds since we still need to consider if and how we integrate sovereign bond emissions into our targets.

Scope of emissions

Financed emissions of a company are calculated from the scope 1 and 2 emissions of the investee companies. Funds that are valued at less than £250,000 have been excluded from the financed emissions calculations on a de minimis basis.

Although we disclose some scope 3 emissions of the companies we invest in, at this time we do not feel the data is robust enough or has wide enough coverage for us to be able to set targets using it. We will continue to watch the developments in data quality and will consider extending our portfolio targets to cover scope 3 of our underlying holdings when there is market consensus on the appropriateness of available data.

Units

Primary: Carbon footprint (tCO_2e/£m invested)
Our investments' carbon footprint is the principal metric for measuring our investment portfolio's financed emissions and monitoring progress towards our 2030 target and 2050 ambition. The carbon footprint is the tonnes of GHG emissions 'owned' by the portfolio. This is measured as carbon dioxide equivalents (CO_2e) 'owned' per £1 million invested. Carbon footprint is a measure of carbon intensity and is calculated as the absolute value of financed emissions applicable to an investment, divided by the value of the investment.

Secondary: Absolute financed emissions ($MtCO_2e$)
We also disclose annually our absolute financed emissions.

Due to the fast-growing nature of our defined contribution pension investment portfolio, we set our decarbonisation target on an intensity basis, expressed in tCO_2e/£m invested. This is aligned with the NZIF guidance, where targets may be expressed in absolute or intensity terms.

Calculation methodology basis

Baseline
We have selected 2019 to be the baseline year in line with the science-based recommendations of the IPCC and guidance from the Institutional Investors Group on Climate Change (IIGCC).

Target
We have set our portfolio-level decarbonisation ambition guided by the IIGCC's Net Zero Investment Framework (NZIF) (Implementation Guide, 2021) and NZIF Supplementary target setting guidance (2021).

Scenario and reference pathway
We have used the global mitigation 1.5°C pathways (immediate action, no/low overshoot) of the Intergovernmental Panel on Climate Change (IPCC) to inform our ambition. This recognises the diverse composition of our investment portfolio across various sectors and regions. In setting our target it was also recognised that a global pathway would be able to accommodate potential portfolio changes, and varying availability of more granular data would limit our ability to build a composite reference pathway.

As recommended by NZIF, we have selected scenarios from the IPCC's 2018 Special Report on Global Warming of 1.5°C (SR1.5)2 which provides scenario pathways aligned to 1.5°C with no/limited overshoot. We selected the middle two scenarios P2 (sustainability-oriented scenario) and P3 (middle-of-the-road scenario) to inform our target because the assumptions seemed most appropriate, with a conservative view on the role of energy demand reductions and the inclusion of carbon capture and storage. The SR1.5 report provided the percentage CO_2e emission reduction between 2010 and 2030. As suggested by NZIF, we adjusted the baseline from 2010 to 2019 by applying a 1.5% annual growth rate from 2010-2019, which enabled the calculation of a CO_2e reduction from 2019 to 2030. The rounded midpoint of these reductions is 50%, which we used as our target value.

Financed emissions calculations
To calculate carbon footprint, we have adopted, where possible, the guidance issued by PCAF across all material asset classes, where published methodologies have been made available. Only asset types where a PCAF-aligned methodology exists, and for which we have access to the data required to meet the PCAF standard (part A), have been included within our financed emissions calculations:

- For listed equities and corporate bonds, we have followed PCAF methodology 5.1 (Listed equity and corporate bonds) to calculate emissions
- For emissions data associated with loan investments, we have followed PCAF methodology 5.2 (Business loans and unlisted equity)
- The exception to this is our infrastructure loans where PCAF methodology 5.3 (Project finance) has been followed
- There are some assets where, despite a PCAF methodology being available, we do not currently have access to the data to meet the PCAF standard. We have excluded our C&RRE and Equity Release Mortgage loan investments from the calculations until we have sourced the asset-specific emissions data required to meet the current PCAF-aligned methodology

Although we have calculated metrics for sovereign bonds, in accordance with the PCAF standard methodology (Chapter 5.7 Sovereign debt), given various challenges noted in the sovereign bonds section below, we have reported these metrics separately.

Those asset types where there is no current PCAF method for calculating emissions have been excluded from the scope of the calculations at this time. We will continue to develop our approach and follow industry best practice to include these in future reporting. Asset types excluded on this basis are derivatives and cash. Collateralised securities (securitised loans) are also excluded on this basis unless data on the underlying loan portfolio is available enabling an alternative PCAF methodology to be followed.

1 From a 2019 baseline.

Our environmental metrics continued

Scottish Widows continued

The following assets have a PCAF methodology, but are excluded from calculations as there is not sufficient data to calculate financed emissions:

- Investments in collective investment schemes where the look through is not currently available
- 'Look through' underlying asset data received from third party managers without sufficient identifiers to match to Standard and Poor (S&P) Trucost
- Investment property held in the Scottish Widows policyholder book could follow the commercial real estate methodology, but we currently do not have enough data on the underlying properties for inclusion
- Listed equity and bonds that do not have recorded emissions and/or company value data in S&P Trucost
- Investments in private equity and debt where look through data to the underlying exposure is not yet available

PCAF listed equity and bonds
The methodology for calculating financed emissions is based on the PCAF standard (Chapter 5.1 Listed equity and corporate bonds).

'This asset class includes all listed corporate bonds and all listed equity for general corporate purposes (i.e. unknown use of proceeds as defined by the GHG Protocol) that are traded on a market and are on the balance sheet of the financial institution'.

For Scottish Widows, certain assets under administration in mutual funds are off-balance sheet but are included within the scope of Scottish Widows financed emissions net zero targets. It was felt important to include such assets in our targets as they are subject to the same types of transition and physical risks, and we have the same type of influence over these assets, as our on-balance sheet funds.

We determine an attribution factor for the financed emissions by dividing the Scottish Widows investment by the value of the company invested in.

Outstanding amount (numerator):
'This is the actual outstanding amount at the financial year end in listed equity or corporate bonds. It should be defined in line with the denominator. Therefore, the value of outstanding listed equity is defined based on its market value (i.e. market price multiplied by number of shares), and the value of outstanding corporate bonds is defined based on the book value of the debt that the borrower owes to the lender'.

Scottish Widows are using the market value of equity and the par or nominal of the corporate bond as the outstanding amount, based on the financial year end.

Company value (denominator):
'For all listed companies, this is the enterprise value including cash (EVIC) of the respective company. Only for traded bonds to private companies, this is the sum of total company equity and debt, which can be found on the client's balance sheet, as no market value for equity is available.'

EVIC is defined as:
'The sum of the market capitalisation of ordinary shares at fiscal year-end, the market capitalisation of preferred shares at fiscal year-end, and the book values of total debt and minorities' interests. No deductions of cash or cash equivalents are made to avoid the possibility of negative enterprise values.'

Once the attribution factor is calculated it is multiplied by the company's total scope 1 and scope 2 emissions (together, these scope 1 and scope 2 emissions are how we have defined the company's total emissions, and therefore currently excludes the company's upstream and downstream scope 3 emissions).

Illustrative example of an equity financed emissions calculation:

$$\text{Financed emissions} = \frac{\text{Investment}}{\text{Total enterprise value}} \times \text{Total of scope 1 and scope 2 emissions}$$

The carbon footprint or emissions per £ invested are the absolute estimated financed emissions calculated above, divided by the portfolio value.

For Scottish Widows investments in listed equity and bonds, we apply options 1a to 3a (as summarised in the table on **page 16**), resulting in a weighted average data quality score. The data quality score of the portfolio will be a weighted average (weighted by outstanding amount).

PCAF business loans and unlisted equity
Within the shareholder business in Scottish Widows Limited, there are a number of loans (known as illiquid loans within the business) to various sectors: education, social housing, commercial real estate, infrastructure/project finance, agricultural loans (via a securitisation), and equity release mortgages (via a securitisation).

PCAF has a number of methodologies available for loans with a key decision point being whether the use of proceeds is known. If the use of proceeds is unknown, then the loan is assumed for general corporate purposes and the business loans and unlisted equity methodology can be applied. In terms of sectors noted above, the following are where the use of proceeds is unknown/for general corporate purposes and therefore can follow the business loans PCAF method:

- Education
- Social Housing
- Agricultural loans (via a securitisation – we have opted to look through the securitisation to the underlying loan exposure). Note, whilst included in the calculation of the sector targets, Scottish Widows has its own separate net zero target

Like the listed equity and bonds method, if company-level emissions are available then an attribution factor could be calculated, and a share of those company emissions can be estimated.

Outstanding amount (numerator):
'This is the actual outstanding loan amount. For business loans, this is defined as the value of the debt that the borrower owes to the lender (i.e. disbursed debt minus any repayments). It will be adjusted annually to reflect the correct exposure, resulting in the attribution to decline to zero at the end of the lifetime of the loan (i.e. when it is fully repaid).'

Company value (denominator):
'a. For business loans and equity investments to/in private companies, this is the sum of total company equity and debt, which can be found on the client's balance sheet.

b. For business loans to listed companies, this is the company enterprise value including cash (EVIC) of the respective client.'

Many of the companies to which a loan is made are not listed on a stock exchange and do not publish emissions, so an alternative method is necessary. Where company-level emissions are not available, Scottish Widows emission factors for the sector per unit of asset (e.g. tCO_2e per euro of asset in a sector) are known. Data quality score in this instance will be 5. This corresponds to option 3b in the table on **page 16**. The source of the sector-based emissions is the ONS and the DESNZ. Data is mapped to industrial classification of economic activities (SIC) code sectors.

The emissions data can then be paired with the Scottish Widows illiquid loans which are also assigned to SIC codes. The emissions data is converted into an emissions factor which is multiplied by the loan outstanding amount.

$$\text{Financed emissions} = \text{Lending by SIC code} \times \text{Emissions factor}$$

A key limitation of the SIC code method is that emissions at a company-level could be over or understated if that company's emissions are not close to the sector average.

Our environmental metrics continued

Scottish Widows continued

PCAF project finance

Project loans relate to shareholder loans where the proceeds of the loan are known. This methodology is used for our infrastructure/project finance loan book, since the use of proceeds are known in this instance. The PCAF methodology for project finance allows for a sector-based approach to be applied. Scottish Widows have elected to use ONS/DESNZ data for project finance loans in line with PCAF option 3c in the table on **page 16.** Data quality score in this instance will be 5. A key limitation of the SIC code method is that emissions at a company-level could be over or understated if that company's emissions are not close to the sector average.

Sovereign bonds

We report emissions data on sovereign bonds for the purposes of transparency, following the PCAF methodology on sovereign debt issued in December 2022. PCAF have defined scope 1, 2 and 3 as follows for this asset class:

- **Scope 1** Domestic GHG emissions from sources located within the country territory (production emissions). This aligns with the UNFCC definition of domestic territorial emissions, including emissions from exported goods and services
- **Scope 2** GHG emissions occurring as a consequence of the domestic use of grid-supplied electricity, heat, steam and/or cooling which is imported from another territory
- **Scope 3** Emissions attributable to non-energy imports as a result of activities taking place within the country territory

PCAF note that there is a divergence of views regarding the accounting of LULUCF emissions given significant data uncertainty. In order to avoid distorting the overall trends of the key sectors (energy, industrial processes) that contribute to global warming, PCAF states that scope 1 emissions should be reported both including and excluding LULUCF. PCAF also recommends that consumption emissions (domestically produced and imports) should be reported to give a more holistic view; at the current time we are only reporting using production emissions (scope 1 above), consistent with the current key metric to account for sovereign GHG emissions.

Attributed emissions are calculated by multiplying sovereign emissions by an attribution factor.

$$\text{Attributed emissions} = \text{Sovereign emissions} \times \frac{\text{Sovereign bond exposure}}{\text{Purchase Power Parity (PPP) adjusted Gross Domestic Product (GDP)}}$$

and

$$\text{Intensity} = \frac{\text{Attributed emissions}}{\text{£m invested amount}}$$

Sovereign emissions are obtained from the UNFCCC (United Nations Framework Convention on Climate Change) and PPP-adjusted GDP is obtained from the World Bank. Sovereign emissions from the UNFCCC only go up to 2021 at the present time; we have used this data and 2021 PPP-adjusted GDP.

PCAF notes that double counting of emissions of non-sovereign sectors (e.g. corporates) can occur due to accounting of emissions at sovereign territorial level, and that this therefore represents a challenge for an entity with multiple asset classes. PCAF go on to note that this is not necessarily problematic if emission results of the different asset classes are clearly reported separately. Given these challenges, we will consider if and how we integrate sovereign bond emissions metrics into our targets.

The PCAF standard (part A) outlines an approach to measuring the data quality of the financed emissions calculated with respect to sovereign bonds. Further details of this can be found in the PCAF standard (part A). Broadly speaking the lower the number, the more robust the data underlying the calculation. For data quality score 1 PCAF says this applies where verified GHG emissions of the country are available. These GHG emissions are reported by the country itself and can be extracted from UNFCCC. As this is the data source we are using for a sovereign's production emissions, we have accordingly assigned a data quality score of 1.

Metric limitations

Some of the limitations of carbon footprint as an indicator of environmental sustainability are:

- It does not capture other environmental impacts, such as chemical pollution, resource depletion, biodiversity loss, or water use
- It will not reflect future emission reduction plans or potential low-carbon innovations by companies
- It does not yet fully account for indirect emissions from upstream and downstream activities (scope 3 emissions), which can be significant for certain sectors
- Comparability across different firms' disclosures may be difficult due to differences in data sources, methods, standards and assumptions used to calculate it
- Due to the nature of the calculations, we would expect short-term variation of the carbon footprint number generated by the PCAF standard. In any given year the metric is impacted by: a) changes in reported emissions; b) changes in enterprise value; and c) our own investment activity. In the example where equity markets are strong and the value of our investment increases in line with the enterprise value, this would drive a material reduction in carbon footprint even in the absence of any underlying change in the reported emissions of the company in which we are invested. Therefore, acknowledging this is a long-term target, it is important to study the medium-term trend from future reporting

Sources

To establish emissions data for corporate bonds and equities, we matched our investments against the published emissions data available on those companies from S&P Global Trucost's data and analytics tool. Trucost provides carbon and environmental data and risk analysis for more than 15,000 companies. Underlying GHG emissions reported by organisations will take time to be reported to our data supplier following publication – typically 12–18 months. Therefore, for the 2024 reporting period, emissions are typically (but not exclusively) based on those reported at the end of 2023.

There is a lack of published emissions data on loan investments. Therefore, Scottish Widows adopt an alternative PCAF-aligned approach to calculate emissions using estimates derived from the ONS and DESNZ for sector averages. This follows the approach taken by Bank for lending to similar sectors where reported emissions data is not available. Another limitation within the Scottish Widows loan emissions estimate is 2022 ONS/DESNZ factors have been used to calculate FY24 metrics. This is because Scottish Widows produced emissions data to meet FCA regulatory reporting obligations, before the 2023 factors were available. The use of this data does not result in a material difference in the calculation of the Scottish Widows Carbon Footprint.

The comparability, coverage, transparency and reliability of scope 3 data still varies greatly per sector and data source. We have used the S&P Global Trucost database as the source of scope 3 emissions in line with scope 1 and 2. Scope 3 emissions for upstream and downstream are reported separately in Trucost but then added together to create a combined scope 3 emissions disclosure.

Own operations methodology

Our approach to setting our own operations' ambition

Own operations have an ambition to achieve net zero carbon operations by 2030.

We have developed five pledges which cover own operations as per the descriptions of scope for scope 1, 2 and 3 emissions within Own Operations as described below. The pledges are:

- Reduce our scope 1 and 2 carbon emissions by 90% by 2030 from a 2018/19 baseline (measurement unit tCO_2e, following a market-based approach)
- Reduce energy consumption by 50% by 2030 from a 2018/19 baseline (measurement unit kWh)
- Water neutral by 2030 (measurement unit m^3)
- Zero waste by 2030 which includes our legacy pledge to reduce operational waste by 80% by 2025 from a 2014/15 baseline
- Maintain domestic travel-related carbon emissions below 50% of 2018/19 baseline (measurement unit tCO_2e)

Calculation

Our carbon emissions reduction pledge aligns to the science-based methodology of at least a 1.5°C reduction pathway. The 90% pledge removes as much carbon from the atmosphere as feasibly possible based on current technologies. The remaining 10% of our emissions will require offsetting. As discussed in the sustainability report, from reporting year 2023/24 we have revised the elements reported within our travel pledge to focus on domestic travel only, aligned with our action plans. This includes domestic commuting, business travel and company vehicles.

At the time of making the 90% carbon emissions reduction pledge, it exceeded the minimum ambition set out by industry guidance such as the SBTi corporate near-term guidance, which outlines overall absolute reductions applying the ACA. Since this pledge was published, we have confirmed it is in line with the most up-to-date SBTi guidance as per the Corporate Net Zero standard, which requires a 90% reduction. Our 2018/19 baseline is the year deemed to be most representative and predates issues associated with Covid-19 disruption.

The ambition and pledges have been developed based on known information and assumptions about our current and future operations. This includes any known changes to the size and construction of the estate portfolio (offices, branches and data centres) from the baseline to 2030 and consideration of location strategy and asset replacement schedules (e.g. for heating, cooling and ventilation).

For the purposes of determining pledge attainment, the scope 1 and 2 emissions from the Lloyds Living portfolio are excluded. These emissions are reported separately for Streamlined Energy and Carbon Reporting (SECR).

Limitations of ambition and pledge setting

There are known limitations to the development of specific values for the Own Operations pledges. Some identified limitations are:

- Potential change in our operational requirement can impact the services provided and the resultant emissions produced. These have been considered within the creation of the pledges as far as is reasonably practical
- Legislative changes can require changes to priority and focus which are out of our control. Consideration has been given to these potential situations and where possible pledges have been set in line with current best practice which goes beyond current legislative targets

Reporting period

Our environmental indicators are reported annually (covering the period from 1 October of the preceding year to 30 September of the reporting year). This reporting period is used to allow more accurate information to be received from our utility and business travel suppliers ahead of our external reporting.

Scope

We report scope 1 and scope 2 emissions arising from activities for which we are responsible. Our reporting scope is against an operational boundary. The data is for UK and International properties and UK fleet business travel only. The Group currently has no international fleet business emissions. Figures disclosed represent combined totals of Kyoto protocol gases expressed in terms of total Carbon Dioxide equivalent (CO_2e), noting the 100-year global warming potential (GWP) of all gases as per the latest available DESNZ data set (based on the fifth IPCC assessment report for 2022/23).

We have opted not to disclose the proportion of data derived from suppliers or other value chain partners. We seek to continually improve the quality of all data used in our emission calculations.

Scope 1 definition

Scope 1 covers: emissions generated from the gas and liquid fossil fuels (oils) used in all the buildings the Group operates from (UK and international); emissions generated from UK company owned vehicles used for business; and fugitive emissions arising from the use of air conditioning and chiller/refrigerant plant to service the Group's UK facilities when associated assets are under operational control. The Group does not currently have operational control over any of these assets outside of the UK, and they are therefore currently excluded from this figure.

Units

tCO_2e

Our environmental metrics continued

Own operations methodology continued

Method for scope 1 reporting

Energy data (gas and liquid fossil fuels (oils)) – Core UK sites where the Group holds the energy supply contract directly with the supplier. Energy data for Core UK sites is managed by our Facilities Management (FM) partner who uploads the information to the Group's central environmental system, Credit 360, which then calculates the CO_2e generated using the DESNZ emission factors. DESNZ Emissions factors are on a calendar year basis. For 2025, our reporting covers 1 October 2024 to 30 September 2025, and the emissions factor applied will be derived from the DESNZ 2024 and DESNZ 2025 factors.

The amounts of gas (in kWh) and oils (in litres) are received directly from suppliers' invoices.

We use a combination of historical consumption trends, forward projected patterns of usage and budget forecasts to report on accruals to fit in with unbilled periods by the gas suppliers.

Oil consumption data is recorded on or around the date of delivery. Additionally, for sites where oil is used solely for backup purposes and testing, consumption is recorded from the metre reading. However, if metre readings are taken before the end of the month, no consumption is recorded until the next reading.

If no data is available for a core site in a given period, yet the site is known to still be active within our portfolio according to our internal property database, we will use the consumption data reported in the equivalent period in the previous year as an approximate.

Shadow/landlord sites, including non-UK sites – this is the term we use for sites where the Group does not hold the energy supply contract directly with the supplier.

As the Group is not billed directly for energy consumed in these sites, we do not have full visibility of consumption data. To allow emissions relating to these sites to be included within our emissions reporting, an estimation using an average gas consumption level per occupied square metre (obtained from sites where the Group holds the energy supply contract direct with the supplier) has been calculated and applied based on each site's location.

Fugitive emissions

Fugitive emissions for the Group arise from the use of air conditioning and chiller/refrigerant plant to service our UK property portfolio. Actual data relating to fugitive emissions is not currently collated centrally by the Group, though is available for some of our assets. Therefore, for the current reporting period, these emissions have been estimated based on a register of unique assets used by our FM partner to maintain and service the assets within the Group's estate. Leakage rates and emissions factors, from DESNZ's GHG emissions factors, have been applied to each asset on the register according to the gas type used within the asset.

Fleet data

The distance travelled in kilometres for fleet cars is calculated from the Group's expense systems which reimburses colleagues on a cost per km travelled basis. The Group Sourcing travel team manages the fleet data and uploads the information to the Group's central environmental system, Credit 360, which calculates the CO_2e generated using DESNZ emissions factors. Resulting volumes are multiplied by DESNZ emissions factors.

A change in calculation methodology was implemented for fleet vehicles and hire cars, effective from 2025. This was necessitated by data limitations that arose during the transition from the previous expense management system to a new one. Consequently, proxy data was utilised for hire cars in October 2024 and for fleet vehicles in November 2024.

Intensity calculation

To normalise year-on-year comparisons in line with business performance, we are also disclosing an intensity of emissions per million pounds of underlying income. This figure is in line with the revenue to be disclosed in our annual report and accounts, and so covers calendar year 2025.

Source

The Group's environmental system, Credit 360.

Scope 2 definition

Scope 2 covers: Emissions generated from the electricity used in all the buildings the Group operates from (UK and non-UK sites), as calculated by the location-based and market-based methodology. We report emissions arising from activities for which we are responsible; our reporting scope is against an operational boundary. This comprises emissions generated from the use of electricity in UK buildings where the Group holds the supply contract directly with the electricity supplier and emissions generated from the use of electricity in UK buildings where the Group does not hold the supply contract directly with the energy supplier (shadow/landlord sites/non-UK sites). As part of our strategy, the Group has made efforts to source renewable electricity for our portfolio.

Units

tCO_2e

Method for scope 2 reporting

Energy (electricity) – Core UK sites where the Group holds the energy supply contract directly with the supplier.

Billed electricity data for Core UK sites is managed by our FM partner, which uploads the information to the Group's central environmental system, Credit 360. The amount of energy used (gross supply in kWh) is received directly from suppliers' invoices. We do not sell electricity back to the national grid.

We use a combination of historical consumption trends, forward projected patterns of usage and budget forecasts to report on accruals to fit in with unbilled periods by the electricity suppliers.

If no data is available for a Core UK site in a given period, yet the site is known to still be active within our portfolio according to our internal property database, we will use the consumption data reported in the equivalent period of the previous year as an approximate.

Our environmental metrics continued

Own operations methodology continued

Energy data (electricity) – shadow/landlord sites/non-UK sites are those sites where the Group does not hold the energy supply contract directly with the electricity supplier.

As the Group is not billed directly for energy consumed in these sites, we do not have full visibility of delivery data.

To allow emissions relating to these sites to be included within our emissions reporting, an estimation using an average electricity consumption level per occupied square metre (obtained from sites where the Group holds the energy supply contract direct with the supplier) has been calculated and applied based on each site's location.

Unmetered automated teller machines (ATMs)
As a proportion of the Group's ATMs are not billed directly, applicable consumption has been estimated based on the expected electricity consumption calculated from metered ATMs, multiplied by the number of unmetered ATMs in our portfolio.

Location-based reporting
In accordance with the GHG Protocol's Scope 2 guidance, total electricity as calculated above is multiplied by the UK average grid factor, sourced from DESNZ. However, for our Indian sites, due to the distinct energy mix and grid characteristics of the local grid compared to other sites, an IEA factor is applied. Emissions factors are updated on a calendar year basis, in line with the respective source (DESNZ and IEA).

Market-based reporting
The Group is procuring Renewable Energy Guarantees of Origin (REGO) as proof of renewable origin for our electricity consumption across the UK. REGOs are recognised as the sole guarantee of renewable supply in the UK, mediated by Ofgem, the regulator of the UK energy industry. Additionally, the Group is sourcing Guarantees of Origin (GO) to cover our European sites and Renewable Energy Certificates (RECs) for our US operations. Like REGOs in the UK, these each represent a unique claim to specific MWhs of renewable energy generated within their respective markets.

Owing to the nature of renewable supply that qualifies for these certificates, per GHG Protocol guidance, associated carbon emissions are zero. As the Group is sourcing REGOs equivalent to our total UK electricity consumption, the Group's UK electricity emissions are zero under the market-based methodology.

Overseas locations are accounted for as zero carbon since January 2020 as the Group sourced GOs, RECs and IRECs equivalent to our estimated overseas electricity. Prior to January 2020, overseas locations have been accounted for at a residual mix factor (the grid mix after all contracted supply has been discounted) in accordance with GHG Protocol guidance. Since January 2020, residual factors have not impacted our disclosure owing to the purchase of 100% renewable energy.

District heat networks
Presently, this is only relevant to one location within our portfolio. The Group source actual energy billed from suppliers and apply UK average district heating factors as provided by DESNZ.

In this instance scope 2 market-based emissions are non-zero. This is solely because of the district heating emissions noted and we continue to source 100% renewable electricity for all our consumption.

Intensity calculation

To normalise year-on-year comparisons in line with business performance, we are also disclosing an intensity of emissions per million pounds of underlying income. This figure is in line with the revenue disclosed in our annual report and accounts, and so covers calendar year 2025.

Source

The Group's environmental system, Credit 360.

Scope 3 definition

Our operational disclosure pertains to scope 3 emissions generated by the following emissions sources (per GHG Protocol definitions and covering the combined impacts of all seven Kyoto Protocol GHGs). Impacts of biogenic emissions are not captured within scope 3 numbers in accordance with GHG Protocol guidelines.

Category 3 – Upstream fuel and energy use
Well to Tank (WTT) emissions of energy sources, which account for GHGs emitted during the extraction and transportation of fuels from the source to the point of supply; covering natural gas, liquid fossil fuels (oils), fuels used in the generation of the electricity and fuels used in our vehicles we consume.

Transmission and distribution (T&D) emissions account for the GHGs associated with electricity lost during transmission on the national grid, relative to those consumed on site.

Category 5 – Waste in operations
The operational waste we generate from our own UK and non-UK direct business activities. The word 'operational' is used to distinguish this from the waste that is generated by construction, refurbishment and maintenance work we undertake on our existing sites or through the construction of new sites, as well as the disposal of any IT/electronic equipment.

Category 6 – Business travel
All colleagues undertaking business travel using rail, privately owned vehicles, hired vehicles, taxis, tube or by air, including direct and WTT elements and overnight hotel stays of colleagues during business trips, as claimed through Lloyds Banking Group travel expense platforms.

Category 7 – Employee commuting (and teleworking)
Commuting of UK and non-UK colleagues to and from their home address to Group sites. Global colleagues' energy use whilst working from home. WTT emissions of commuting of UK and non-UK colleagues to and from their home address to Group sites. We are aware of colleagues in our new India business who utilise air travel as part of their commute. To date, we have been unable to source quantifiable information which could produce a viable estimate of emissions; thus, have excluded these from reported category 7 totals. Efforts are being made to improve data collection activities.

Scope

The data is for:

- WTT and T&D emissions from source energy i.e. gas, liquid fossil fuels (oils) and electricity
- Operational waste, which includes general and confidential waste services for UK properties, provided by our FM partner
- Overnight hotel stays of all Group colleagues during business travel around the world
- Business travel undertaken by UK-based colleagues and the associated WTT emissions
- Commuting of all Group colleagues by any means of transport for each working day of the reporting period
- Colleague heating and electricity energy use whilst working from home

Units

tCO_2e

Our environmental metrics continued

Own operations methodology continued

Method for scope 3 reporting

Rail and air travel
The distance travelled in kms is calculated from the Group's online travel booking system and the Group's expense systems. For rail data, where mileage is not available, we utilise UK government published pence per km averages to convert colleague rail travel expenses claimed into approximate mileage.

The Group Sourcing travel team manages the data and uploads the information to the Group's central environmental system, Credit 360, which calculates the CO_2e generated using DESNZ emissions factors. The factors used change on a calendar year basis as per DESNZ guidance.

Privately owned vehicles
The distance travelled in kms for business travel in privately owned vehicles is calculated from the Group's expense systems which reimburses colleagues on a cost per km travelled basis.

The Group Sourcing travel team manages this data and uploads the information to the Group's central environmental system, Credit 360 which calculates the CO_2e generated using DESNZ emissions factors.

Hire cars
Hire car data is managed by the Lex Autolease business within the Group who use Nexus to collate the data from our hire car suppliers. Data is then uploaded into the Group's central environmental system, Credit 360, which then calculates the CO_2e generated using DESNZ emissions factors. Where distance travelled is not known for a hire period an average mileage for the specific trip is used.

As explained in Fleet data section, proxy data was utilised for hire cars in October 2024.

Commuting
As part of our annual colleague survey, we ask colleagues to specify their primary mode of transport used to travel to work. Knowing colleagues' place of work and place of residence, we feed data into Bing maps API to determine the most likely travel route distance. Utilising colleague entry card-swipe data and expected colleague commute distance by transport, by business unit, we can determine an expected annual distance travelled by colleagues. Results are scaled up based on the proportion of colleagues who did not respond to the survey and those who could not be mapped and multiplied by emissions factors supplied by DESNZ.

Home working
The Group has accounted for incremental emissions activities now occurring at colleagues' households as a result of colleagues working from home. The number of homeworkers globally is multiplied by expected incremental thermal energy allowance per work hour in the UK heating season (October to March). Workstation power allowance for the sum total of all devices used to facilitate work (lighting, laptop computer, secondary monitor, phone, printers etc.) are multiplied by the number of work hours to provide total workstation electricity usage. Thermal and electrical energy requirements are multiplied by the UK natural gas conversion factor and grid electricity average respectively, as published by DESNZ, to determine total emissions.

Upstream emissions from other sources
The base data captured for gas, oils, electricity, fleet, rail and air travel, private vehicles, hire cars, commuting (calculated within the above scope 1, 2 and 3 parameters) are applied to DESNZ emissions factors covering WTT and T&D emissions.

Operational waste
Operational waste is managed by our FM partner, which receives information relating to the number and type of collections per site each month directly from sub-contractors and uploads this information to the Group's central environmental system, Credit 360, which calculates the CO_2e generated using DESNZ emissions factors. Where primary waste data is unavailable, we estimate approximate waste volumes for sites which are not covered by waste collections by multiplying floor area by an intensity of actual data per unit floor area where both are available. Less than 10% of data is estimated in this way.

Hotel stays
Hotel stays data is managed through our HRG platform, recording room nights booked by country. Data is then uploaded into the Group's central environmental system, which then calculates the CO_2e generated using DESNZ emissions factors.

Source
The Group's environmental system, Credit 360.

Lloyds Living Real Estate

Scope 1

Lloyds Living (Real Estate)
Gas consumption for our Real Estate business is estimated through scaled EPC data to reflect consumption at vacant premises (scaled by degree days), communal areas (where heated), and the Group's own use of properties as show homes, noting expected gas consumption at the properties' performance rating and floor area. Estimated gas consumption is converted into emissions based on the DENSZ emissions factors.

Scope 2

Lloyds Living (Real Estate)
Electricity consumption for our Real Estate business is estimated through EPC data to reflect internal communal areas (where applicable), and the Group's own use of properties as show homes and consumption at vacant premises. Estimated electricity consumption is converted into emissions based on the DENSZ emissions factors.

Supply chain methodology

Setting our ambition

The Group announced an ambition in October 2022 to reduce supply chain emissions by 50% by 2030, from a 2021/22 baseline, on a path to net zero by 2050 or sooner. This baseline year represented the earliest period following Covid-19, which was deemed to be more representative of the Group's typical third-party spend.

By setting this ambition the Group exceeded the minimum emission reduction required for a 1.5°C ambition in accordance with the SBTi corporate near-term guidance, widely deemed to be industry best practice. We drew on the SBTi guidance which stated a minimum of 4.2% annual linear reduction to 2030 versus a 2020 baseline in emissions, based on the absolute contraction approach (i.e. a minimum 42% reduction versus baseline by 2030). This was based on guidance intended for scope 1 and 2 emissions sources, which is more ambitious than scope 3 guidance. In line with this, emissions are calculated utilising a scope 2 market-based approach for suppliers' emissions.

The reporting of scope 3 supply chain emissions is fundamental to supporting and achieving our ambition – allowing the Group to track performance and support the drive towards supply chain carbon emissions reduction.

The ambition relates to the supply chain emissions disclosed within the boundary described in this section and is reliant on our suppliers reducing their emissions to be achieved.

GHG accounting and reporting principles

The Group's scope 3 supply chain calculation and reporting principles are aligned to the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

The emissions data and associated reporting, governance, process and controls are designed to be:

- **Relevant** – ensures that the Group's disclosed scope 3 supply chain emissions reflect scope 1, scope 2 and upstream scope 3 emissions of the Group's third parties within the defined boundary, resulting from the activities, products and services they provide to the Group
- **Complete** – ensures that the Group's upstream supply chain emissions are accounted for and reported on, within the defined boundary with any exclusions explained and justified
- **Consistent** – ensures the tracking of emissions over time by using a consistent methodology and documenting any changes to the process, scope of third parties and methods
- **Transparent** – ensures that relevant issues are addressed in a factual and coherent manner and data assumptions are disclosed including calculation methodologies and data sources used
- **Accurate** – ensures that the calculation of scope 3 supply chain emissions is accurate with uncertainties reduced as much as possible

Disclosed emissions may be re-stated from time to time in line with the Group's recalculation approach and to reflect any changes to our supply chain boundary, changes to external standards or where a more accurate method of calculating associated emissions becomes available.

Scope 3 categories: supply chain emissions

The Group has aligned its upstream supply chain scope of reporting to the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The following emissions categories are included in the Group's scope 3 supply chain emissions reporting:

- **Category 1:** Purchased goods and services – upstream emissions from the production of goods and services purchased or acquired (including leasing) by the Group not otherwise included in categories 2 and 4. This includes goods and services relating to IT, cyber, operations, management consultancy, legal, HR, marketing and communications
- **Category 2:** Capital goods – upstream emissions from the production of capital goods purchased or acquired by the Group. This includes IT hardware and relevant property related goods (e.g. fixtures and fittings)
- **Category 4:** Upstream transportation and distribution – emissions from transportation and distribution of products purchased, between the Group's tier 1 suppliers and its own operations in vehicles not owned or operated by the Group, and emissions from third-party transportation and distribution services purchased by the Group. This includes mail and logistics
- **Category 8:** Upstream leased assets – emissions associated with upstream leased assets are reported within Category 1

Emissions from other scope 3 categories are reported elsewhere (as set out in the table on **page 04**) and are not relevant to supplier activities.

Our environmental metrics continued

Supply chain methodology continued

Supply chain calculation methodology

The Group follows a spend-based methodology to calculate its scope 3 supply chain emissions.

The Group's third-party spend data is first aligned to appropriate scope 3 categories, with one of three approaches then used to calculate the related emissions for the third party.

Approach 1: CDP[1] supplier allocated
Where a third party is in the scope of the Group's CDP supply chain membership and has allocated emissions relating to the goods and services provided to the Group via their CDP disclosure, these allocated emissions are used.

Approach 2: CDP apportioned
Where a third party has reported their emissions and overall revenue data in a disclosure to CDP, this data is used to calculate the emissions as follows:

$$\text{LBG third-party spend} \times \frac{\text{Third-party emissions}}{\text{Overall third-party revenue}^2}$$

1 CDP previously known as the Carbon Disclosure Project is a global disclosure platform which allows organisations to disclose climate change and carbon emissions on an annual basis.
2 Currency conversion rates are used where a supplier has reported their revenue in a non-sterling currency.

We access two data files from CDP:

- The Group is a supply chain member of CDP and receives disclosure data from organisations we have invited to disclose via CDP in one data file (CDP Supply Chain data)
- We also have access to the full public CDP disclosure dataset. This allows us to identify any additional supplier disclosure data. For example, CDP disclosers that become suppliers to the Group during the reporting period (CDP Public data)

Using CDP data:

- CDP data is only used if a supplier has disclosed scope 1, 2 and scope 3 emissions
- To account for suppliers' full upstream emissions (i.e. emissions that occurred prior to the Group's involvement in the value chain), our suppliers' scope 3 category 1 to 8 emissions are included. To avoid double counting downstream emissions (categories 9 to 15) are excluded
- Market-based scope 2 emissions (where disclosed by a supplier) are selected preferentially over location-based scope 2 emissions
- Disclosed supplier emissions are only used in the calculation if total scope 3 emissions are greater than 40% of total scope 1, 2 and 3 emissions. We apply this control as we would typically expect our suppliers' scope 3 emissions to be significantly greater than their scope 1 and 2 emissions

We take the steps outlined to mitigate the risk of potential under-reporting until such time we can be confident in the completeness of the respective supplier's emissions inventory. We recognise this has to be balanced against the risk of overstating emissions which could result from reverting to approach 3. To mitigate this risk as far as possible, we cross reference such exceptions with insights from our supplier engagement programme and will override this rule for specific suppliers where appropriate.

Approach 3: CEDA (Comprehensive Environmental Data Archive)
Where CDP data is not available, CEDA industry factors are applied to calculate emissions for each spend category. CEDA is an environmentally extended input-output database which provides emission factors linking spend on goods/services to emissions:

- For each good/service that a third party provides, this is matched against the most relevant CEDA category
- Each CEDA category has an associated emissions factor based on spend ($kgCO_2e/£$). The associated emissions factor is multiplied by the third-party spend to give emissions for that third-party's activity

The use of CEDA factors is considered the least accurate approach, however, to ensure emissions calculations are complete (in line with GHG Protocol requirements) their use is considered appropriate.

CDP supply chain allocated data is considered the most accurate approach at this time.

Boundary (supply chain emissions)

Main spend extract
Spend data from the Group's core Accounts Payable system is used. The accounts payable data is a subset of the Group's general ledger (GL) used to produce the Group's annual report and accounts. We rely upon spend being correctly categorised at the point of entry into the Accounts Payable system.

The GL data represents a holistic view of income and expenditure across Group-wide entities. The spend extract is on a cash basis, net of VAT, based on posting date. It therefore excludes any accounting treatments such as accruals.

Currency conversion factors are applied on non-sterling spend in the Group's Accounts Payable system by the Group's finance department. As a result, all spend data used in emissions calculations is in sterling.

The Group migrated to a new Accounts Payable system during the current reporting cycle. Consequently, data for this reporting year is sourced from two systems:

- Legacy Accounts Payable SAP system: Oct – Dec 2024
- New Accounts Payable Oracle system: Jan – Sept 2025

The two systems differ in the level of GL code granularity, which may influence CEDA factor allocations for comparable supplier activities. Prior to migration, a materiality assessment was conducted to evaluate the potential impact of these differences. The assessment concluded that any variance would be immaterial to overall emissions reporting.

Accordingly, we are confident that the use of data from both systems is appropriate and consistent with the GHG Protocol principle of utilising the best available data at the time of publication.

As part of the transition to the new Accounts Payable system, where we have identified more appropriate CEDA mappings, we have retrospectively applied them.

Future reporting periods will be based exclusively on the new system, ensuring consistency and comparability going forward.

We filter and remove some data from the main spend extract as detailed below.

Our environmental metrics continued

Supply chain methodology continued

No spend lines

The total spend extract includes some spend that is not with third parties, which we define as 'no spend'. Examples include operational losses, accounting adjustments and intra-Group payments. These 'no spend' items fall outside of the scope of GHG Protocol and have therefore been excluded.

Specific third-party exclusions

The following spend lines are excluded from our main spend extract for the reasons set out below:

- **Intermediaries & broker commission payments** – In the absence of a recognised methodology/standard for calculating emissions associated with intermediaries and broker commission payments, we do not believe a spend-based approach is appropriate
- **Sponsorship and community spend** – We do not include activities associated with sponsorship and community donations
- **Payment schemes** – The relevancy to the GHG Protocol of the spend and emissions associated with the services we rely on from payment schemes such as Visa and Mastercard, the majority of which sits outside our main spend extract, is unclear
- **Business rates, bank levy and other regulatory fees** – This is mandatory spend beyond the control of the Group
- **UK Value Added Tax** – This is mandatory spend beyond the control of the Group which is identifiable within our core Accounts Payable system and as such, is excluded from our spend data. In contrast, other non-recoverable taxes cannot be separately identified within our core Accounts Payable system. As a result, non-recoverable taxes – such as Insurance Premium Tax – are treated as an inherent cost of obtaining the associated good or service and are not excluded

Other third-party spend outside of the boundary

Third-party spend by the Group's businesses that is not captured on the Group's core Accounts Payable system falls outside the boundary of our disclosed supply chain emissions and ambition. The majority of this spend relates to third parties supplying our vehicle and property leasing businesses – Lex Autolease, Tusker and Lloyds Living.

Given the materiality of this spend, we recognise that further work is required to refine the methodologies used to calculate the associated emissions. This will support future disclosure and contribute to improved transparency and accountability in our supply chain reporting.

Selection of data sets

The table below shows the source data used in the calculation of supply chain emissions for this reporting period.

Reporting period	1 Oct 24 – 30 Sept 25 Baseline + 3
Main spend extract	1 Oct 24 – 30 Sept 25
CDP: supply chain data	2024
CDP: public data	2024
CEDA factors	2023 (CEDA 2025 release)
Currency conversion rates	Average 2024 (Jan - Dec)

Reporting period

1 October 2024 to 30 September 2025.

Baseline period

1 October 2021 to 30 September 2022.

Governance

The calculation, reporting and disclosure of the Group's scope 3 supply chain emissions is governed through the Group Sourcing and Supplier Management Executive Committee following which the Group's disclosure governance process is applied as described in the Group's latest sustainability report.

Control framework

There is a defined control framework which is an integral part of our overall calculation and reporting process to ensure associated risks are monitored and controlled.

This includes alignment to the GHG Protocol Accounting and Reporting Principles and the Group's risk management framework.

Data quality and control

Our reporting process includes a continuous review of our data collection process, data quality and data sources.

We apply a robust set of controls to the spend data and emissions calculation to ensure that identified gaps and anomalies are analysed, understood and documented. These controls are applied throughout the calculation and disclosure process and include controls aligned to the principles of the GHG Protocol.

This includes:

- Reconciliation of spend data to ensure emissions calculations are complete
- Review mapping of CDP supplier data to ensure accuracy
- Review application of material CEDA factors to ensure relevancy
- Review emissions allocation data from suppliers' CDP responses where appropriate

Our sustainable finance and investments

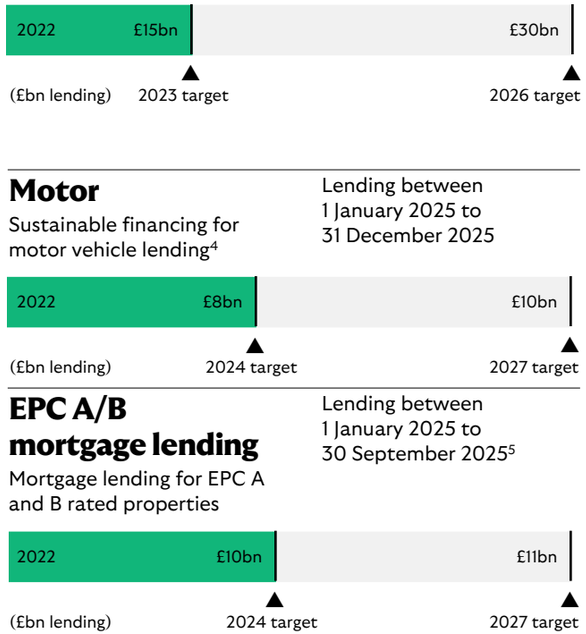
This section outlines the reporting criteria to support our sustainable finance and investment targets. The categories of eligible sustainable finance are outlined below in accordance with our Sustainable Financing Framework → Our sustainable investments are categorised in accordance with our Responsible Investment Framework →

In this section

Our sustainable finance and investments continued

Our sustainable finance and investments

Target[1]	Period reported	The criteria for eligible sustainable finance and sustainable investments are outlined below
Commercial Banking Sustainable financing for Commercial Banking customers[1,2]	Lending and facilitated lending[3] between 1 January 2024 to 31 December 2025	The following product types have been included in the metric as per the Group's Sustainable Financing Framework, product scope and reporting basis on page 27: • Green bonds including private placements • Social bonds including private placements • Sustainability bonds including private placements • Sustainability-linked bonds including private placements • Green lending and working capital – use of proceeds • Social lending and working capital – use of proceeds • Sustainable business financing lending and working capital • Sustainability-linked lending and working capital Adhering to the eligibility criteria as detailed from page 05 of the Sustainable Financing Framework.
Motor Sustainable financing for motor vehicle lending[4]	Lending between 1 January 2025 to 31 December 2025	The following product type has been included in the metric as per the Group's Sustainable Financing Framework, product scope and reporting basis, page 27: • Consumer Transport Green Lending – Use of Proceeds, adhering to the eligibility criteria as specified in the Sustainable Financing Framework, Clean Transportation Vehicles, on page 17 • Excluding any vehicles that do not meet the engine classification of being a BEV
EPC A/B mortgage lending Mortgage lending for EPC A and B rated properties	Lending between 1 January 2025 to 30 September 2025[5]	The following product type has been included in the metric as per the Group's Sustainable Financing Framework, Product Scope and Reporting Basis, page 27: • Consumer Homes Green Lending – Use of Proceeds, adhering to the eligibility criteria as specified in the Sustainable Financing Framework, Commercial and Residential Buildings, Retail lending for Residential Buildings on page 10. This includes re-mortgages but excludes further advances



Target[1]	Period reported	The criteria for eligible sustainable finance and sustainable investments are outlined below
Scottish Widows £20–£25bn discretionary investment in climate-aware strategies or climate solutions by 2025	Amount invested in climate-aware strategies at 31 December 2025	Climate-aware strategies relates to Scottish Widows investing in funds that have a bias towards investing in companies that are adapting their businesses to be less carbon-intensive and/or developing climate solutions. Climate-aware strategies fit into two categories: emissions-focused and revenue-focused. 1. Emissions-focused strategies must have explicit objectives to invest in companies that emit comparatively less carbon than the wider market in their region or asset class. A quantitative assessment is performed to ensure carbon footprint is at least 15% less than the corresponding broader market index. 2. Revenue-focused strategies must have explicit objectives to invest in companies that actively seek to improve the climate. The quantitative assessment is based on MSCI Environmental Impact categories, which measure the proportion of company revenues derived from addressing climate change. For a fund to meet the criteria, these revenues must be relatively 15% greater than the corresponding broader market index. The value of the amount invested is measured as a point in time assessment of funds meeting the criteria at the balance sheet date.
£1bn discretionary investment in climate solutions by 2025	Amount invested in climate solutions at 31 December 2025	Climate solutions is a lens to view the exposure within our climate-aware strategies. To define climate solution investments, we look at company revenue associated with activities such as alternative energy, energy efficiency, green building, sustainable agriculture, sustainable water and pollution prevention. We use MSCI Environmental Impact Revenue data to help with this classification. We multiply the amount invested in climate-aware strategies by the proportion of revenues derived from the categories detailed above. This represents our investment in climate solutions. The value of the amount invested is measured as a point-in-time assessment of funds meeting the criteria at the balance sheet date.

1 Following our achievement of our previous sustainable financing targets, we have set new targets covering the period 2025 to 2027 for Motor and EPC A/B mortgage lending. A new target was set for Commercial Banking in 2024. The Scottish Widows target was achieved in 2024; we continue to report investment in climate-aware strategies and climate solutions. Sustainable finance within the period reported is subject to Limited ISAE 3000 (revised) assurance by Deloitte LLP.
2 Commercial Banking target relates to both corporate and institutional banking customers and business and commercial banking customers (2024 onwards). From 1 January 2022 to 31 December 2024 target applied to corporate and institutional customer only, measured against the criteria set out in the 2023 sustainable financing framework.
3 For facilitated financing, volumes are reported on a proportional share basis, representing the Group's share of the overall transaction value facilitated where the Group is acting as part of a syndicate. Direct lending is calculated as the total value for new commitments during the reporting period, including any undrawn commitments (i.e. the limit on the facility granted).
4 From 1 January 2025 the new target includes new lending advances and operating leases for EVs; includes cars and vans. From 1 January 2022 to 31 December 2024 the target covered EVs and plug-in hybrid vehicles new lending advances for Black Horse and operating leases for Lex Autolease (gross) and operating leases for Tusker (gross, post-acquisition by the Group (February 2023)); includes cars and vans.
5 Due to the lag in updated EPC data progress towards the target is reported a quarter in arrears. For example, the 31 December 2025 reported position will cover lending completed in the period to 30 September 2025.

Our sustainable finance and investments continued

Reporting process and governance

Data is collated from divisional source systems and reviewed on a quarterly basis by the business to ensure qualifying criteria is met. This is then reviewed by divisional finance (key investment stakeholders for Scottish Widows) to ensure alignment with expectations. Progress against the targets is tracked quarterly. Further details of reporting against each of the targets and the associated governance is given below.

Commercial Banking

Progress against the target is tracked quarterly and reviewed at business level forums ahead of review by the GSC.

If there is any ambiguity about whether a transaction meets the eligibility criteria, a review will take place at a business-level forum (set up specifically to review and assess the eligibility criteria and compliance). The progress against the target is the sum of the facility limits at the deal date of sustainable lending and is not adjusted for any subsequent declassification of any of those loans. The eligibility criteria, as detailed in the Group's Sustainable Finance Framework, will be reviewed at least annually to ensure alignment with industry standards, regulatory requirements and good practice. The target criteria can be extended between these annual reviews to close any clear gaps or new technologies provided this is reviewed by the business forum mentioned above. Minor amendments, e.g. new published government standards, can be made without forum review. The annual review and in-year amendments are included within the terms of reference of the forum referred to above.

Homes

The sustainable lending position for Homes is prepared using EPC data and mortgage completion data, with lending balances reconciled to the finance ledger (SAP). Each quarter the position is shared through several divisional reviews and communicated at the divisional committees and GNZC. Due to the lag in updated EPC data progress towards the target is reported a quarter in arrears. For example, the 31 December 2025 reported position will cover lending completed in the period to 30 September 2025. The Sustainable Lending criteria and methodology for calculation for Homes remains consistent with the criteria and methodology set out when the target was set. The process for obtaining EPC data used for reporting relies on a third-party matching addresses with the government database at a set point in time and is not infilled at a future date; there may be instances where we are unable to match and in this case these will be omitted.

Motor

The sustainable lending position for Motor is prepared using the source system vehicle data in line with financed emissions methodology with new lending balances reconciled on a quarterly basis to the finance ledger. Each quarter the position is communicated through divisional committees ahead of review by GNZC. The Sustainable Lending eligibility criteria remain consistent with the criteria set out when the target was set. In 2025, to early adopt the EU Taxonomy for Sustainable activities guidelines, we changed the target scope to be BEV vehicles only.

Scottish Widows

Each quarter funds are assessed to ensure they continue to meet the criteria of being climate-aware or climate solutions, as defined on **page 45**. Where a fund fails to meet the relevant criteria for two consecutive quarters the fund is removed from the categorisation. This is reviewed by key investment stakeholders.

Our inclusion metrics

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

In this section

Our inclusion metrics continued

Introduction

The Group aims to create a more inclusive future for our customers, colleagues and communities. We report inclusion metrics in our annual report and accounts, our sustainability report and within the sustainability metrics datasheet. Our data is collated and reported in compliance with the provisions of section 414C(8)(c) Companies Act 2006.

In the table we have detailed all our reported inclusion metrics, not just the metrics which are subject to Limited ISAE 3000 (revised) assurance by Deloitte LLP for the 2025 Sustainability Reporting.

Source

Data is sourced from the HR system, Workday. All data as at 31 December 2025. All diversity information for ethnicity, disability, sexual orientation and gender identity is based on voluntary self-declaration by colleagues. In order to be classified as Black heritage colleagues, a colleague must have positively selected a relevant option (e.g. Black British). For ethnicity metrics the in-scope population for the calculation includes all colleagues, irrespective of whether they have completed the ethnicity data field.

Diversity calculations are based on headcount, not full-time employee values (FTE).

Scope

The HR system, Workday, contains details of all permanent and fixed–term colleagues. Our systems do not record diversity data for colleagues who have not declared this information and includes colleagues on the UK payroll only. International colleague data is not held as colleague records in Workday, it is manually uploaded by the People Insights team to the Workday system at month end.

Metrics include international colleagues, those on parental/maternity leave, absent without leave and long-term sick and exclude contractors, Group non-executive directors, temporary and agency staff. Ethnicity metrics exclude non-UK colleagues. The scoping of our ambitions is subject to local laws and regulations.

Entities in scope

In 2025, the Group acquired SPW. SPW is not included in the reported inclusion metrics. Where entities are acquired, colleague data will be loaded into Workday to create colleague records. When this process is complete, we will then be able to include within the reported metrics. The timescale for inclusion or exclusion of colleagues from reported metrics (following acquisition or divestment) will depend on the complexity of the agreement which will be dependent on the Terms and Conditions of the transaction. The delivery approach will vary from a baseline approach (all colleagues move to full Lloyds Banking Group Terms and Conditions) to a more complex approach (e.g. colleagues with protected terms). The time scale can vary from four to eight months, starting after the full agreement of the Terms and Conditions of the transaction and the associated legal review.

Governance

The metrics supplied by the People & Places Data Hub are monitored by the People & Places Group Inclusion team. This team provides monthly, quarterly and annual updates through inputs to dedicated forums and committees. Additionally, they offer relevant updates on progress and actions being taken to achieve the gender and ethnicity senior management representation targets. The Group's People & Places Executive Committee are updated monthly with the Group's Remuneration Committee updated on a half-yearly basis.

Our inclusion metrics continued

Inclusion metrics

	Metric	Unit
Gender (UK & International, excluding those based in the US)	Board members – men	Number Percentage
	Board members – women	Number Percentage
	Senior positions on the Board – men[1]	Number Percentage
	Senior positions on the Board – women[1]	Number Percentage
	GEC – men[2]	Number Percentage
	GEC – women[2]	Number Percentage
	Executive roles – men[3,4]	Number Percentage
	Executive roles – women[3,4]	Number **Percentage** ⊛
	Senior manager – men[4]	Number Percentage
	Senior managers – women[4]	Number Percentage

	Metric	Unit
Ethnicity (UK based colleagues only)	Board members' ethnicity (three metrics: White British or other White, Asian heritage and mixed/multiple ethnic groups)[5]	Number Percentage
	Senior positions on the Board ethnicity (one metric: White British or other White)[5]	Number Percentage
	GEC ethnicity (two metrics: White British or other White, Asian heritage)[5]	Number Percentage
	Executive roles of Black, Asian and Minority Ethnic representation	Number **Percentage** ⊛
	Executive roles of Black heritage	Number **Percentage** ⊛
	Senior managers (two metrics: Black, Asian and Minority Ethnic representation and Black heritage)	Number Percentage
Disability (UK based colleagues only)	Colleagues who disclose that they have a disability	Number Percentage
	Senior colleagues who disclose that they have a disability	Number Percentage
Sexual orientation and gender identity (UK based colleagues only)	Colleagues who disclose their sexual orientation	Number Percentage
	Colleagues who disclose they are LGBTQ+	Number Percentage
	Colleagues who disclose their gender identity	Number Percentage

All of the metrics above can be found in our annual report and accounts → and sustainability metrics datasheet →

⊛ Indicator is subject to Limited ISAE 3000 (revised) assurance by Deloitte LLP for the 2025 Sustainability Reporting. Deloitte's 2025 assurance statement is available online at our sustainability downloads

Notes and definitions

1 Senior positions on the Board refer to the roles of the Chief Executive Officer, Chief Financial Officer, Senior Independent Director and Chair of the Board.
2 The Group Executive Committee (GEC) assists the Group Chief Executive in strategic, cross-business or Group-wide matters and inputs to the Board. GEC includes the Group Chief Executive and excludes colleagues who report to a member or attendee of the GEC, including administrative or executive support roles (personal assistant, executive assistant).
3 Executive roles include Grade X colleagues only.
4 Gender ambitions includes UK and international based colleagues, excluding US and subject to local laws and regulations.
5 This table shows the metrics reported for 2025. We will report data for the categories of: White British or other White, Asian heritage, Black heritage, mixed/multiple ethnic groups (including Arab and not specified/prefer not to say) as required.

A colleague is an individual who is paid via the Group's payroll and employed on a permanent or fixed-term contract (employed for a limited period).
A senior manager is a colleague at Grades F, G and Executive (Executive being grades above G).

Percentage metrics are calculated as the relevant absolute metric divided by the total number of colleagues in the relevant population under consideration (e.g. senior managers of Minority Ethnic heritage will be calculated as the total number of senior managers of Minority Ethnic heritage divided by the total number of senior managers).

LGBTQ+ includes Asexual / Ace Spectrum, Bisexual / Bi, Gay Man, Lesbian / Gay Woman, Pansexual, Other Sexual Orientation and includes Trans*.

Glossary of acronyms

ATM	automated teller machines
BCB	business and commercial banking
BEV	battery electric vehicle
C&RRE	commercial and residential real estate
CCC	Climate Change Committee
CEDA	Comprehensive Environmental Data Archive
DESNZ	Department for Energy Security and Net Zero
DUKES	Digest of UK Energy Statistics
DVLA	Driver and Vehicle Licensing Agency
ECC	Enterprise Resource Planning Central Component
EPC	energy performance certificate
EV	electric vehicle
EVIC	enterprise value including cash
FM	Facilities Management
FTE	full time employee
GDP	Gross Domestic Product
GEC	Group Executive Committee
GHG	greenhouse gas
GL	general ledger
GO	Guarantees of Origin
HP	hire purchase
IATA	International Air Transport Association
ICE	internal combustion engine
IEA ETP	International Energy Agency Energy Technology Perspectives
IEA NZE	International Energy Agency Net Zero Emissions
IIGCC	Institutional Investors Group on Climate Change
IPCC	Intergovernmental Panel on Climate Change
LCV	light commercial vehicle
LULUCF	land use, land-use change, and forestry
MoMo	Mobility Model
NEDC	New European Driving Cycle
NZBA	Net-Zero Banking Alliance
NZIF	Net Zero Investment Framework
OECD	Organisation for Economic Co-operation and Development
OEM	original equipment manufacturer
ONS	Office for National Statistics
PCAF	Partnership for Carbon Accounting Financials
PCP	personal contract purchase
PHEV	plug-in hybrid electric vehicles
PPP	Purchase Power Parity
REC	Renewable Energy Certificates
REGO	Renewable Energy Guarantees of Origin
S&P	Standard & Poor's
SAX	Soil Association Exchange
SBTi	Science Based Target initiative
SDA	Sectoral Decarbonisation Approach
SDS	Sustainable Development Scenario
SECR	Streamline Energy and Carbon Reporting
SIC	Standard Industrial Classification
STEPS	Stated Policies Scenario
T&D	transmission and distribution
UNFCCC	United Nations Framework Convention on Climate Change
WLTP	World Harmonized Light Vehicle Test Procedure
WTT	well to tank

Forward-looking statements

Disclaimer
The reader should be aware that this document, and the information contained within it, has been prepared on the following basis: (i) this document and its contents are not externally audited; (ii) all material contained in this document is subject to change without notice; (iii) the material in this document does not constitute any investment, accounting, legal, regulatory or tax advice or an invitation or recommendation to enter into any transaction; (iv) estimates expressed in this document should be regarded as indicative, and for illustrative purposes only; and (v) this document has been prepared using models, methodologies and data which are subject to certain limitations (as explained in the "models, methodologies and data" section below). Expected and actual outcomes may differ from those set out in the document (as explained in the "forward-looking statements" section below).

This document's use of the terms "material," "materiality" and other similar terms should be understood in the context of ESG and sustainability reporting and are not intended to be have the meaning those terms have under the securities or other laws of the United States or any other jurisdiction or as these terms are used in the context of financial statements and financial reporting.

Public information
Some information appearing in this document may have been obtained from public and other sources and, it has not been independently verified by the Group and no representation or warranty is made by the Group as to its quality, completeness, accuracy, fitness for a particular purpose or non-infringement of such information.

Opinions and views of third parties
Any opinions or views of third parties expressed in this document are those of the third parties identified, and not of the Group, its affiliates, directors, officers, employees or agents. By incorporating or referring to opinions and views of third parties, the Group is not, in any way, endorsing or supporting such opinions or views.

Models, methodologies and data
The data contained in this document reflects best estimates at the relevant time. The models, methodologies and data used in information in this document, including in relation to the setting of the Group's emissions targets, net-zero transition strategy, climate scenario analysis and transition plan, are subject to certain limitations. These include (i) that they are subject to future risks and uncertainties which may change over time, (ii) for external data, or methodologies and models developed by a third party, they could be subject to adjustment which is beyond the Group's control; (iii) the quality of data can vary, which may impact the outputs of models and methodologies; (iv) in respect of climate-related models, methodologies and data in particular, are not of the same standard as those available for other financial information, nor subject to the same standards, benchmarks or standardised accounting principles, and historical data may not be an accurate indicator of the future trajectory of climate change impacts. Moreover, measurement technologies and analytical methodologies are in constant development; there is a lack of international coordination on data and methodology standards, and there exists future uncertainty, which includes (amongst others) developing global and regional laws, regulations and policies and evolving classification frameworks and climate science knowledge and data.

Where the Group has used the methodology and tools developed by a third party, the application of the methodology (or consequences of its application) shall not be interpreted as conflicting with any legal or contractual obligations and such legal or contractual obligations shall take precedence over the application of the methodology. Where the Group has used underlying data provided or sourced by a third party, the use of the data shall not be interpreted as conflicting with any legal or contractual obligations and such legal or contractual obligations shall take precedence over the use of the data. Further development of reporting or other standards could impact the metrics, data and targets contained in this document. From one reporting period to another, direct comparisons of each statement of information or data may not always be possible, and information may be updated from time to time.

No liability
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Forward-looking statements
This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and section 27A of the US Securities Act of 1933, as amended, with respect to the business, strategy, plans and/or results of Lloyds Banking Group plc together with its subsidiaries (the Group) and its current goals and expectations. Statements that are not historical or current facts, including statements about the Group's or its directors' and/or management's beliefs and expectations, are forward-looking statements. Words such as, without limitation, 'believes', 'achieves', 'anticipates', 'estimates', 'expects', 'targets', 'should', 'intends', 'aims', 'projects', 'plans', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'may', 'seek', 'estimate', 'probability', 'goal', 'objective', 'deliver', 'endeavour', 'prospects', 'optimistic' and similar expressions or variations on these expressions are intended to identify forward-looking statements. These statements concern or may affect future matters, including but not limited to: projections or expectations of the Group's future financial position, including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; the Group's ESG targets and/or commitments; statements of plans, objectives or goals of the Group or its management and other statements that are not historical fact and statements of assumptions underlying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future. There are inherent risks and uncertainties associated with achieving future emissions targets and implementing net-zero transition strategies and plans in a complex, interdependent, and continually evolving global landscape. The Group therefore reserves the right to adjust, amend, or adapt its metrics and targets in response to unforeseen circumstances or changes in external factors and dependencies which impact the feasibility of achieving the stated targets.

Factors that could cause actual business, strategy, targets, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward-looking statements include, but are not limited to: general economic and business conditions in the UK and internationally (including in relation to tariffs); imposed and threatened tariffs and changes to global trade policy; acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the escalation of conflicts in the Middle East; the tensions between China and Taiwan; political instability including as a result of any UK general election; market related risks, trends and developments; changes in client and consumer behaviour and demand; exposure to counterparty risk; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; natural pandemic and other disasters; risks concerning borrower and counterparty credit quality; risks affecting insurance business and defined benefit pension schemes; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; risks associated with the Group's compliance with a wide range of laws and regulations; assessment related to resolution planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; operational risks including risks as a result of the failure of third party suppliers; conduct risk; risks related to new and emerging technologies, including artificial intelligence; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions) and decarbonisation, including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high calibre talent; the ability to achieve strategic objectives; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; assumptions and estimates that form the basis of the Group's financial statements; and potential changes in dividend policy. A number of these influences and factors are beyond the Group's control. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC's website at www.sec.gov, for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward-looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document whether as a result of new information, future events or otherwise. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.

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