



OUR MATERIAL ISSUES: MATERIALITY SUMMARY FOR RESPONSIBLE BUSINESS

Our Material Issues: Materiality Summary for Responsible Business

Engaging with our stakeholders is fundamental to ensuring we continue to support the economic, social and environmental challenges that the UK faces. It enables us to understand what is important to them and expectations of the Group.

How we engage with our stakeholders

We engage throughout the year in many different ways: during our regular business activities; in face-to-face meetings about specific issues, such as regulation or financial performance; and increasingly through new media, such as digital broadcasts. We also invite stakeholders to participate in an annual materiality assessment, asking them to tell us what they feel is a priority. This feedback helps us shape our strategy and reporting.

Our materiality approach

Materiality is the process of consulting an organisation's internal and external stakeholders, to determine which key issues are the most important to them and their organisations.

We used an independent materiality specialist to undertake this assessment on our behalf, ensuring stakeholders were able to be honest in their opinions, and the findings were impartial.

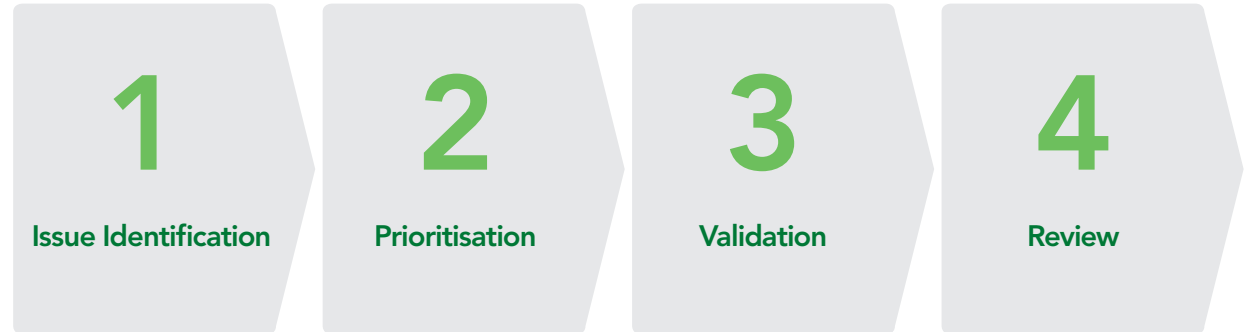
The process we follow

Good practice materiality assessment comprises four stages: issue identification, prioritisation, validation and review. Through this process a wide range of issues relating directly to environmental, social and governance (ESG) impacts were identified.

These were informed by our Group strategic priorities, dedicated insight sources from established surveying organisations including Ipsos Mori and YouGov, as well as internal colleague surveys and analysis of the financial sector.

Additionally a wide range of in depth interviews with key stakeholders were held. They were invited to rank key issues as well as tell us what mattered to them, and how we were tackling those issues, both good and bad.

This year we also updated and improved our scoring calculation process. Issues and changes compared to last year were also logged and recorded.



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Our Material Issues: Materiality Summary for Responsible Business continued

The stakeholders we engage

Insight was gathered from colleagues, customers, investors, community groups, industry bodies, special interest groups, and key opinion formers.



How materiality informs our reporting

The findings of the materiality assessment were discussed and validated internally. Our Responsible Business and Investor Relations teams, with our independent specialists, thoroughly reviewed the process and its outcomes. The themes ranked as most material directly inform the Responsible Business update in our 2019 Annual Report and Accounts, Responsible Business Report, and additional reporting documentation.

Key material themes for stakeholders in 2019

Our assessment shows a range of material ESG themes with a clear grouping into three levels of priority for our stakeholders. The themes identified reflect the type of business Lloyds Banking Group is, and also the market and sector we operate in. They are all important topics and relevant to our business.

What follows is a summary of these three priority groupings, showing where relevant reporting content can be found in our annual report.

Find out more on our reporting website: www.lloydsbankinggroup.com/our-group/responsible-business/reporting-centre

Material themes

1

Group one material themes	Key Comments	2019 Annual Report reference
Helping the transition to a low carbon economy	The fundamental issue of today. Articulate the pace of change needed, clarity on business activity impacts, support to drive change for clients, and respond to climate change risks and opportunities	Page 28
Governance and accountability	How the Group is run and builds trust, how Board accountability extends to ESG themes	Pages 26 and 30
Responsible and ethical lending	How products and services are delivered and behaviour rewarded, including solutions for industry sectors	Pages 37 to 39
Building capability and digital skills	The support needed for the transition to digital for individuals, businesses, charities, and how Group activity is supporting communities and wider society	Page 33
Customer privacy and data security	Fundamental requirement for all, highly relevant for customers across all products and channels	Page 26
Helping people buy a home	Support for social housing and house building, innovative products and vulnerable customers	Page 32
Helping people save for the future	Product innovation, and the outcomes of business activity	Page 32
Supporting businesses to start up and grow	Support for SMEs, innovative lending, supporting the transition to more sustainable business models, and supporting clients to improve performance	Page 32

2

Group two material themes	Key Comments	2019 Annual Report reference
Equal opportunities, inclusion and diversity	How we get the inside of the organisation right; how we develop human capital as the 'agents of change'; human rights, whistleblowing, how we support employees, and wellbeing	Page 34
Stakeholder engagement	How the Group is run and builds trust, and how reputation is managed and the impact of this activity	Pages 20 and 26
Vulnerable customers and financial education	Focus on impacts of activity rather than how we support e.g. action on homelessness, abuse, mental health, poverty, indebtedness, illiteracy, employability and skills	Page 26
Community investment	Focus on outcomes and measurable performance and demonstrate differentiation	Page 33

3

Group three material themes	2019 Annual Report reference
Business Performance & Growth	Page 6
Indirect Economic Contribution	Pages 9, 26 and 35
Responsible Approach to Risk	Pages 30 and 40
Colleague Volunteering	Page 7
Health & Safety	Page 163
Colleague Training & Skills	Page 19
Supply Chain Transparency	Page 25
Support for Charities	Page 33