LLOYDS BANKING GROUP

Supporting our purpose

Lloyds Banking Group ESG Report 2021

Welcome

During 2021 the Group focused on Helping Britain Recover supporting customers and communities across the UK as they continued to deal with the pandemic.

I am very proud of the positive impact that we have been able to make in supporting customers and communities across the UK as they continued to deal with the pandemic. The dedication of colleagues and their ongoing support for customers, communities and businesses across the UK in these unique and challenging times is impressive.

We will continue this support through our new mission and strategy in 2022 being lead by our clear purpose of Helping Britain Prosper, creating a more sustainable and inclusive future for people and businesses – shaping finance as a force for good.

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Our reporting

Lloyds Banking Group's reports for 2021 bring together the Group's financial, non-financial, risk and sustainability performance for the year. As well as this ESG Report, it includes our Annual Report and Accounts, our 2021 Climate Report, Financial Results Announcement, and Pillar 3 disclosures report.

Access the full set of reports online at **www.lloydsbankinggroup.com/investors.html**

This ESG Report complements the Annual Report and Accounts by providing further information on our 2021 ESG performance and our progress against our Helping Britain Recover commitments.

Further information about our approach to ESG, policies, sector positions, performance ratings and benchmarks can be found online at our **Responsible Business Downloads Centre.**

In addition to this ESG Report, please also refer to:

Our 2021 Climate Report: including details of our progress on our climate strategy and our reporting against the requirements of the Task Force on Climate-related Financial Disclosures (TCFD)

Our 2021 Annual Report and Accounts

Gender Pay Gap Report

Ethnicity Pay Gap Report

Pillar 3 disclosures

2021 ESG Performance Datasheet

Additional links:

The 2021 Deloitte Non-Financial Assurance Opinion

Lloyds Banking Group Principles for Responsible Banking Reporting and Self-Assessment Template

Lloyds Banking Group SASB Index

Lloyds Banking Group GRI Index

Lloyd's Banking Group International Business Council of the World Economic Forum's Stakeholder Capitalism Metrics Index

Our 2021 Reporting Criteria

Scope of this report

The data and examples in this report reflect activities undertaken during the 2021 fiscal year (1 January to 31 December 2021) and, where relevant to performance, refers to activities and events before and after this period. The report includes information about Lloyds Banking Group and its subsidiaries' ESG performance.

Assurance

Deloitte LLP has provided limited assurance over selected environmental and social key performance indicators. The assurance statement can be found on the **Responsible Business Downloads Centre**.

✔ Indicator is subject to limited ISAE 3000 (revised) assurance by Deloitte LLP for the 2021 ESG reporting. Deloitte's 2021 assurance statement and the 2021 Reporting Criteria are available on the **Responsible Business Downloads Centre**

Helping Britain Prosper

In line with our longstanding purpose to Help Britain Prosper, our 2021 near-term focus of Helping Britain Recover allowed the Group to focus our business strategy and harness our expertise to make an impactful contribution to addressing some of the issues highlighted in the UN Sustainable Development Goals (SDGs), and assist in building a more inclusive and sustainable economy.

See **pages 06 to 08**

E Environmental

The transition to a low carbon economy – a 'green' economy – supports the UK's recovery and promotes long-term prosperity, while helping to make our planet more resilient. Our indicators reflect our climate strategy, including the management of our operations, as well as our lending and investment portfolios, products and services.

See **pages 29 to 45 and,** further information about our climate strategy and risk management activities can be found in the **2021 Climate Report**

S Social

The social aspects of our ESG performance relate to the contribution of the Group to our communities through the various forms of relationships which the Group has with society. Our social indicators relate to the management of issues experienced by our employees, suppliers, customers and local communities.

See **pages 18 to 28, and 46 to 55**

G Governance

Robust governance practices form the foundation of the Group's licence to operate and the practices that allow us to conduct our business responsibly. Our governance indicators relate to areas of policies, programmes and performance that support and demonstrate the good governance practices of the Group as a diversified financial sector company.

See **pages 16 and 56 to 63, and** further disclosures related to the Group's governance practices can be found in the **2021 Annual Report and Accounts**

About Lloyds Banking Group

Our purpose

Helping Britain Prosper

The Group has a clear ongoing purpose of Helping Britain Prosper.

Read more on **pages 4 to 8**

Our mission

We help Britain prosper by creating a more sustainable and inclusive future for people and businesses, shaping finance as a force for good.

Our culture

The Group is strengthening the connection between our purpose, culture and strategy, with refreshed values to help us move to the future culture we need.

Our values set out what's important to us and how we work together, so it's been important to work with colleagues over the past 18 months to understand our culture deeply and shape what we need for the future. Our refreshed values will be launched in 2022.

Read more on **page 80** of the **Lloyds Banking Group Annual Report and Accounts 2021**

Our vision UK customer-focused digital leader and integrated financial services provider, capitalising on new opportunities at scale.

Our trusted brands

Offering our services through a number of recognised brands enables us to address the needs of different customer segments more effectively.

LLOYDS BANK	mbna	AMC	blackhorse
BANK OF SCOTLAND	HALIFAX	LDC	IWEB
Schroders personalwealth	BM BIRMINGHAM MIDSHIRES	SCOTTISH WIDOWS	LEX AUTOLEASE

Our business areas

Our business areas are structured according to the products and the services we provide to best serve our customers' financial needs. We have three business areas:

Retail

Commercial Banking

Insurance and Wealth

Read more on our divisional financial performance on pages **56 to 61** of the **Lloyds Banking Group Annual Report and Accounts 2021**

Our products

Lending; mortgages, credit cards, personal and business loans

Deposit taking; current accounts, savings accounts

Insurance; home, motor and protection

Investment; pensions and investment products

Commercial financing; term lending, debt capital markets, private equity

Risk management; interest rate hedging, currency, liquidity

How we create value, and what sets us apart

Purpose-driven and customer focused culture
Our strategy is directly aligned to our purpose of Helping Britain Prosper and we believe this will enable delivery of sustainable long term returns. Customers remain at the heart of our strategy.

Leading UK customer franchise with deep customer insight
Our scale and reach across the UK means that our franchise extends to over 26 million customers with 18.3 million digitally active. Extensive customer data and analysis ensures we can meet the needs of these customers more effectively.

All-channel distribution focus with digital leadership and trusted brands
Operating through a range of distribution channels ensures our customers can interact with us when and how they want. Operating a range of leading, trusted, brands enables us to address the needs of different customer segments more effectively.

Differentiated business model, meeting all consumer and business financial needs in one place
We have a unique customer proposition, serving all our customers' banking and insurance needs in one place through a comprehensive product range.

Operating at scale with cost discipline
Our scale and efficiency enables us to operate more effectively.

Financial strength and disciplined risk management
We have a strong capital position and continue to take a disciplined approach to risk, as reflected through the quality of our portfolio and underwriting criteria.

Dedicated colleagues with strong values
We have a highly engaged, customer focused, diverse, workforce with significant expertise and experience.

Transforming to create higher and more sustainable value

Building on our strong foundations and distinct competitive strengths our purpose of Helping Britain Prosper forms the basis of our new strategy to profitably deliver for all of our stakeholders.

We will look to deepen relationships with our existing customers, both consumers and businesses of all sizes, and meet more of their financial needs, by making it easier for them to access our great products and by making our channels simpler and more personalised to use.

This will set the Group on a higher growth trajectory with more diversified revenues, focused on a number of strategic priorities. At the same time we will retain our strong focus on cost and capital discipline and our strategy will be enabled through maximising the potential of our dedicated people, technology and data capabilities.

Responding to emerging trends that are shaping our industry

As a large, UK-focused financial services provider we face several external challenges to our business model and strategy:
- Unprecedented societal change
- Challenging and uncertain macroeconomic environment
- Accelerated shift to digital and new capabilities
- Step-change in ways of working

Read more about external challenges we face on **10 to 13** of our **Lloyds Banking Group Annual Report and Accounts 2021**

We also face a number of internal challenges:
- Repositioning and growing the business to deliver revenue generation and diversification
- Meeting demand for more personalised value-added solutions
- Using technology to deliver step-change in efficiency and agility
- Attracting, developing and retaining the best talent to respond to new ways of working

We regularly review the associated risk implications, to enhance our sustainability over the longer term.

Read more on **pages 37 to 43** of our **Lloyds Banking Group Annual Report and Accounts 2021**

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Our purpose

Statement from our Group Chief Executive

We will continue this support through our new mission and strategy in 2022 being led by our clear purpose of Helping Britain Prosper

Charlie Nunn
Group Chief Executive

Delivering for all stakeholders, profitably

Since joining the Group in August 2021, I have been impressed by the Group's purpose-driven culture, real customer focus, its commitment to sustainability and diversity, as well as its disciplined risk management. I'm very proud of the positive impact we have made over the past year as we focused on Helping Britain Recover. The dedication of our colleagues and their ongoing support for customers, communities and businesses across the UK in these unique and challenging times is impressive.

It's thanks to their efforts that we have delivered a strong performance against our Helping Britain Recover commitments. Highlights include expanding the availability of affordable and quality homes by lending more than £16 billion to over 80,000 first-time buyers (target: £10 billion) and helping over 193,000 small businesses to boost their digital capability (target: 185,000). We also expanded the funding available under the Group's discounted green finance initiatives from £3 billion to £5 billion and introduced Scottish Widows' flagship fossil fuel-free fund to support green growth. These are just a few of our achievements from the past year and you can find more detail on our ESG performance in this report.

Building on these and the Group's other strong foundations and distinct competitive strengths, we are launching our new strategy to deliver for all our stakeholders. Our purpose of Helping Britain Prosper forms the basis of this strategy to profitably deliver for all of our stakeholders. Core to our purpose and strategy is our focus on building a more inclusive society and supporting the transition to a low carbon economy as this is where we can make the biggest difference, whilst creating new avenues for our future growth. It is only by doing right by our customers, colleagues and communities that we can achieve higher, more sustainable returns for investors, whilst meeting the needs of our broader stakeholders.

Our efforts to build an inclusive society will be focused on improving access to quality housing and promoting financial inclusion and education. In addition, we see an opportunity to help more customers in the UK have access to simple and helpful investment and protection solutions to build their financial resilience. Through our Commercial Bank we will support regional development by helping businesses in target sectors across the UK. We will also lead by example by reiterating our ambitious targets to create a more inclusive and diverse workforce.

To support the transition to a low carbon economy we're reinforcing our prior commitments, targeting net zero for the activities we finance by 2050 or sooner, by working with our customers, the market and the Government. We have also raised our ambition in several areas where we can make more of an impact in the shorter-term, having now set 2030 sector-based ambitions covering power, thermal coal, oil and gas and Retail (motor) vehicles. As part of our Net-Zero Banking Alliance (NZBA) commitment, we will develop additional sector ambitions in 2022 for parts of our remaining carbon-intensive sectors and we will publish transition plans in line with the timelines stipulated by the NZBA and standards set by the UK Government. Our focus will also enable us to access fast growing areas linked to sustainability such as infrastructure finance and electric vehicle financing. In addition, we intend our own operations to be net zero by 2030.

To be a truly purpose-driven organisation, we have embedded delivery of broader stakeholder outcomes in our strategy and the way we create value. Our strategy includes a number of specific stakeholder outcomes to help our customers finance their own transition to net zero, through green mortgages, electric vehicle financing, sustainable finance for businesses and investments in climate aware investment strategies through Scottish Widows. We have also included specific measures aligned to our environmental sustainability and diversity ambitions in our senior executive performance measures in our Group Balanced Scorecard.

Our new strategy is a crucial step in becoming a truly purpose-driven organisation, one that creates value for all of our stakeholders and allows Lloyds Banking Group to play its part in Helping Britain Prosper. We are excited to be embarking on this journey.

£3.4bn
in new funding to the social housing sector

£16.3bn
of lending for people to buy their first home

>£6.9bn
of ESG-related finance to businesses

£25.5m
contribution to our independent charitable Foundations

Our Group strategy and purpose

Helping Britain Prosper

We Help Britain Prosper by creating a more sustainable and inclusive future for people and businesses, shaping finance as a force for good

Our **mission**

Our mission is everything. It's what drives us, what makes us different and **defines how we profitably grow**. It's how we'll create a future where our planet is cared for, people feel safe and included, and businesses and communities can thrive.

We serve millions of individuals, families and businesses, big and small, every day. This means we're better placed than anyone to make the way that we spend, save, borrow, invest and protect what matters, **a force for good**.

We will lead in the bold decisions we make as a business, from where and how we invest, to the products and services we offer, to the workplace we create. We will search for new ways to work with people, communities and businesses, to always evolve with their needs. And we will never stop **innovating to make sustainable, ethical choices** easy and rewarding.

With restless energy for positive change, **we are reshaping financial services so they'll work for Britain, for generations to come.**

Our **decision-making principles**

We are Helping Britain Prosper by creating a more sustainable and inclusive future for people and businesses, shaping finance as a force for good. By following our principles, we will meet the needs of all our stakeholders: customers, colleagues, communities and shareholders, today and for generations to come.

More pioneering
We will always challenge ourselves to do things differently, working hard to improve how we serve our customers and create long-term, profitable growth.

More sustainable
We will always consider the direct and indirect impact of our decisions on nature and Britain's transition to net zero.

More inclusive
We will always shape what we do and what we offer around people's different needs and circumstances.

More secure
We will always look for ways to help people, communities and businesses feel more supported, in control and confident about their future.

Our mission and principles provide a lens through which to assess the key choices we face when considering the future shape of the Group.

We know that becoming a truly purpose-driven organisation will take time, and a key element of our strategy will be to build ambition progressively, and to embed our purpose into decision-making, culture and capabilities.

Our **Strategy**

Drive revenue growth and diversification

See more in our 2021 Annual Report and Accounts on **pages 16–19**

SDGs

Strengthen cost and capital efficiency

See more in our 2021 Annual Report and Accounts on **pages 20**

SDG

Maximise the potential of people, technology and data

See more in our 2021 Annual Report and Accounts on **pages 21**

SDGs

Our Group strategy and purpose

Every great journey needs a purpose. Ours is Helping Britain Prosper

We believe that a company which embeds its purpose into business culture and day-to-day operations and makes it the driving force of its strategy, will have a stronger financial position, through finding better ways to create sustainable and more profitable growth and greater long-term value for all its stakeholders.

Our purpose is, and remains, Helping Britain Prosper. It has already made a real difference to our UK customers and with our new strategy, we are taking further decisive steps to be a truly purpose-driven organisation.

To ensure that our purpose is at the heart of our business, our strategy and our culture, we have developed a clear and ambitious mission, which defines what it means to Help Britain Prosper. Our mission will frame our plans, shape current and future decisions and drive impact beyond our business-as-usual activities. It exists to guide the actions of every colleague across the Group, every day.

Putting our purpose to work

In developing our purpose-driven mission, we adopted a highly collaborative approach, developing initial ideas, then testing and refining them with our internal and external stakeholders.

By co-creating our mission with colleagues at different levels across the Group, we were able to consider their unique perspectives and views, as well as their insight from engaging with different external stakeholders, capturing how they might view our purpose-driven mission. We also tested our thinking with business and personal customers, seeking to understand their expectations of Lloyds Banking Group as one of the largest financial services providers in the country, and how our purpose could help us better meet their needs.

To ensure our mission is active and can guide our day-to-day business, as well as the strategic direction of the Group, we challenged ourselves to identify a set of simple yet powerful principles to define what we stand for, and how we make decisions. Recognising the strong strategic connection to our purpose that already exists, and the Group's role in society, the principles were designed to express the type of organisation we are and want to be, as well as our unique role in shaping a vision for the UK that we would like to help build.

Supporting the UN SDGs
With our purpose of Helping Britain Prosper firmly in mind, the UN Sustainable Development Goals (SDGs) have provided a sound framework for identifying how we can play a more active role in the sustainable development of UK society. They also help frame how we use our operating model, resources and skillsets, to respond to some of the societal challenges faced by the UK.

The Group is focusing on SDGs with the highest materiality to our business and sector, based on commercial exposure, the sphere of the Group's impact, and those of the highest materiality to our key stakeholders (based on our research and insights).

Some of the areas of activity guided by our purpose include, but are not limited to, action and initiatives around the following topics in support of the achievement of specific SDGs:

Promoting financial inclusion and education
Financial inclusion, wellbeing and resilience of our customers to support reduced inequalities

SDG

Inclusive and diverse business
Building an inclusive business and promoting colleague and customer wellbeing, improving access to decent living, to support good health and wellbeing

SDGs

Enabling regional development and improving access to quality housing
Helping businesses of all sizes around the country, and funding more inclusive and diverse businesses, to thrive and create quality jobs to support gender equality

SDGs

Supporting the transition to a low carbon economy
Climate and green finance opportunities, emissions reduction and risk management, to support global and national climate action

SDGs

Our Group strategy and purpose

Our Group strategy

Our new strategy is framed by our purpose and mission, with our four principles providing guardrails around how we make business decisions. Our strategy is therefore in alignment with our selected SDGs, as we are aiming not only to respond to our customers' evolving expectations, changes in operating environment and our competitive position, but also to address some of the key issues in UK society.

We have a strong starting point at Lloyds Banking Group to build a truly purpose-driven organisation, with long-term sustainability, that defines the future of what great financial services looks like for our customers, but also for our people to work in.

Charlie Nunn
Group Chief Executive

We are ambitious about the role we can play in shaping a more inclusive future for people and businesses across the UK. Our strategy builds on our leadership as a top UK employer for inclusion and diversity. Looking ahead, our focus will be on making inclusion even more central to our business and decision making, ensuring our products, processes and services are accessible and inclusive by design, promoting financial inclusion and resilience of our customers, and supporting and championing positive change beyond our organisation in communities we serve. Our strategy sets out the ways we can improve access quality housing for people across the UK – whether they rent, own their home or are trying to get on the property ladder.

We are committed to making our presence around the country count and leveraging our expertise in key sectors, such as infrastructure, manufacturing, and housing, to support communities and businesses in all of the UK's regions to thrive.

In recent years, we have witnessed more frequent and material impacts of climate change, and so the need for businesses, and governments to act on their emissions reduction commitments has become even more urgent. Our strategy recognises this need with its strong focus on sustainability and actions to support the UK in its transition to a sustainable net zero economy, in line with the Paris Climate Agreement. We believe we have the right, as well as the obligation, to play a leading role in supporting the UK's net zero transition across a number of sectors, including greening of the UK housing stock and real estate, facilitating the shift to a low carbon transportation system, helping British farming adopt more sustainable practices, accelerating the low carbon energy transition and promoting sustainable investing.

To ensure our strategy delivers value for all our stakeholders, the Group has engaged its different stakeholder groups, to better understand their needs and expectations. We conduct regular consumer and business research and seek feedback from our customers to identify areas for improvement and development, so that we can continuously provide the best service and propositions, addressing their near-term requirements, as well as anticipating long-term needs. We maintain regular and proactive dialogue with our regulators, and civil society organisations, and our strategy seeks to address their feedback, through, for example, our increased focus on fair customer treatment, evolving our business culture and addressing climate risks and opportunities. With one of the largest shareholder registers in the UK, we take our commitment to delivering sustainable returns seriously. We engage with all our investors, institutional as well as retail, on a regular basis and increasingly, our investors focus on a wide range of ESG topics, such as climate change, inclusion and, diversity and governance issues, which we also address through increased dedicated disclosures such as the 2021 Climate Report and 2021 Annual Report and Accounts.

We recognise that helping our colleagues understand how to deliver our purpose in their day-to-day jobs is essential. Connecting Helping Britain Prosper to colleagues' roles with credibility and relevance was a priority identified in our most recent engagement surveys and one of the reasons why we involved colleagues at every level of the organisation in shaping our future direction and our purpose-driven mission. We will continue to work closely with colleagues from across the Group to ensure we embed our purpose into everything we do.

To be a truly purpose-driven organisation, we have embedded delivery of broader stakeholder outcomes in our strategy and the way we create value. Our new strategy is a crucial step in achieving our longer-term vision to become a truly purpose-driven organisation. We are excited to embark on this journey and to create a more sustainable and inclusive future for people and businesses – shaping finance as a force for good.

Further information on the development of our purpose driven strategy can be found in our 2021 Annual Report and Accounts on **pages 06 to 21**

Our performance

Helping Britain Recover

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Helping Britain Recover
Our approach to being a responsible business during 2021

Given our clear purpose of Helping Britain Prosper and our unique position at the heart of the UK economy we embraced our responsibility to help address some of the biggest economic, social and environmental challenges the UK faces.

Our approach to being a purpose-driven and responsible business includes the management of our ESG performance. We believe it is only by doing right by our customers, colleagues and communities that we can deliver higher, more sustainable returns to investors, and generate value for all our stakeholders.

The management of ESG issues in our day-to-day business activities supports the delivery of a business model and strategy that addresses broader societal issues, supports our customers, generates sustainable returns for our shareholders, and attracts and retains best-in-class employees.

Our near-term focus of Helping Britain Recover during 2021 allowed the Group to set commitments in five areas, contained in our Helping Britain Recover priorities on page 17, where we could make the most difference and continue to underpin these commitments with our ongoing ESG risk management, performance and business practices.

These goals, targets and commitments enabled the Group to continue to support the achievement of selected UN Sustainable Development Goals.

Our 2021 Annual Report and Accounts provides further commentary on our progress against our 2021 strategic priorities

You can read more about our performance against our Helping Britain Recover priorities on page 17

Key

- E Environmental
- S Social
- G Governance

Our 2021 Helping Britain Recover focus areas were underpinned by our ESG performance

Help rebuild households' financial health & wellbeing

Support businesses to recover, adapt and grow

Expand availability of affordable and quality housing

Accelerate the transition to a low carbon economy

Build an inclusive society and organisation

Material ESG topics and disclosures in this report

S
- Supporting our customers to rebuild their financial health and wellbeing
- Helping people save for the future
- Collaborating with external partners
- Supporting customer's mental health
- Building digital skills
- Promoting financial inclusion
- Providing access to banking
- Supporting victims of domestic and economic abuse
- Supporting financial capability

S
- Supporting businesses to recover from the pandemic
- Helping businesses to start up and grow
- Supporting businesses to transition to net zero
- Supporting Black-owned businesses
- Supporting regional development
- Supporting apprenticeships
- Strategic partnerships and collaboration

E S
- Supporting home ownership and first-time buyers
- Supporting the development of housing standards
- Supporting skills development in the housing sector
- Supporting the UK rental sector

E S G
- Our climate strategy and initiatives
- The environmental impact of our own operations
- Natural capital
- ESG due diligence on loans and the Equator Principles
- Responsible investment and stewardship activities

S

Our organisation
- Ethnic diversity
- Our Race Action Plan progress
- Gender diversity
- Sexual orientation and gender identity
- Supporting disability

Our colleagues
- Colleague engagement
- Colleague health and wellbeing
- Performance management
- Colleague learning and development
- Apprenticeships
- Colleague remuneration
- Executive rewards outcomes

Our communities
- Our Foundations
- Key partnerships
- Lloyds scholars
- Colleague volunteering

S G

Underpinned by a foundation of Conducting our Business Responsibly

- Ethics
- Culture
- Conduct
- Responsible product development
- Human rights and modern slavery
- Whistleblowing/Speak Up
- Cyber security & resilience
- Customer complaints
- Economic crime
- Responsible sourcing
- Public affairs and policy
- Tax

Helping Britain Recover

Our long-term focus is supported by our memberships and performance

The finance sector has an important role to play in addressing some of the biggest challenges facing the UK. We want to play our part, by learning from our partners and peers, sharing our experiences and expertise, and collaborating with them to find solutions.

By participating in global and regional commitments and partnerships we collaborate with peers on industry initiatives to create positive change.

In September 2019, the United Nations Environment Programme Finance Initiative (UNEP FI) launched the Principles for Responsible Banking. Lloyds Banking Group is a founding signatory of the Principles for Responsible Banking, joining banks from around the world to build a more sustainable future. The Principles for Responsible Banking are a framework for ensuring that signatory banks' strategy and practice align with the vision that society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement. The framework consists of six principles designed to bring purpose, vision and ambition to sustainable finance. As a signatory bank, we have committed to embedding these principles across all business areas, at the strategic, portfolio and transactional levels.

Key memberships which support our ESG approach

- UN environment programme finance initiative – Principles for Responsible Banking
- TCFD – Task Force on Climate-Related Financial Disclosures
- United Nations Global Compact
- PRI – Principles for Responsible Investment
- Business in the Community – The Prince's Responsible Business Network
- PPCA – Powering PastCoal Alliance
- UN environment programme finance initiative – Principles for Sustainable Insurance
- IIGCC – The Institutional Investors Group on Climate Change
- Net-Zero Banking Alliance
- TNFD – Taskforce on Nature-related Financial Disclosures

Our performance on ESG indices

We continue to review our scores and ratings, enhancing our disclosures and actively engaging with ratings agencies, ESG indices and investors to address their data and disclosure needs.

ESG index and scoring	2019	2020	2021
MSCI Scale: AAA to CCC, AAA as a best possible score	BBB	AA	AA
Sustainalytics Scale: 0–100, 0 as a best possible score	24.4	23.3	20.6*
ISS ESG Corporate rating Scale: AAA to CCC, AAA as a best possible score	C	C	C+
S&P Global CSA/DJSI Scale: Ranking of companies, 100 as a best possible score	45	43	49
FTSE4Good Scale: 0–5, 5 as a best possible score	4.4	4.6	4.5
Bloomberg ESG Disclosure Scale: 0–00, 100 as a best possible score	57	58	58
Bloomberg Gender-Equality Index Scale: 0%–100%, 100% as a best possible score	83%	87%	85%
Workforce Disclosure Initiative Scale: Number of questions with a meaningful response expressed as a percentage, 100% as a best possible score	75%	85%	92%
CDP Scale: A to F, A as a best possible score	A	A-	A-
Responsibility100 Index (Tortoise) Lloyds Banking Group undertakes an annual review of the research in March 2021. Scale: Ranking of FTSE 100 listed companies, 1st as a best possible score	17th	8th	4th

* as at February 2022.

Helping Britain Recover

Engaging with our stakeholders

We considered and consulted our stakeholders when developing our purpose and strategy. We maintain an open dialogue with our broad range of stakeholders, enabling us to understand and respond to their evolving expectations and concerns. We use these insights to inform the assessment of the issues that most materially impact our ability to create long-term value for all our stakeholders.

Key decisions taken by the Board to reflect the needs of our stakeholders can be found on pages 26 to 29 of our **2021 Annual Report and Accounts**

Colleagues

Due to the pandemic, our colleagues experienced major shifts in the way we work. The onset of COVID-19 not only affected colleague health but altered how we engaged with each other and changed our ways of working. In 2021, colleagues continued to engage around issues related to flexible working arrangements; supporting colleague mental and physical wellbeing; talent retention and competitive remuneration; climate change and sustainability; and inclusion and diversity.

How we engage

- Colleague surveys (census and pulse)
- Internal social media platforms
- Intranet
- Colleague focus groups and interviews
- Executive engagement sessions
- Trade unions

Suppliers

We value our suppliers because they enable us to provide the best products and services to our customers. This extends to working with our suppliers to continually improve our performance in relation to social, ethical and environmental issues. We welcome suggestions from suppliers on how we can collaborate on responsible business initiatives. Engagement topics in 2021 included: the impact of COVID-19 on supply chains and business continuity; environmental and social sustainability; and our supply chain's carbon footprint.

How we engage

- Supplier reviews and surveys
- Meetings
- Assessment of the suppliers against our Code of Supplier Responsibility and Financial Supplier Qualification System (FSQS)
- Our third-party supplier policies

Investors

It is important for us to proactively engage with our shareholders and fixed income investors on a range of topics such as our strategic progress and ambitions, and financial performance and targets, as well as our progress on key ESG topics like climate change and inclusion and diversity.

Engagement topics in 2021 included the Group's financial performance, our purpose and strategic performance, the competitive environment, capital return, the impact of COVID-19, management of climate risks and net zero commitments.

How we engage

- Annual Report and Accounts
- Quarterly results announcements
- ESG Report
- Climate Report
- Proactive investor engagement programme (including ESG Analysts)
- Annual General Meeting
- Retail shareholder events
- Investor Relations webpage
- News releases and other electronic shareholder communications

Helping Britain Recover
Engaging with our stakeholders

Regulators

As part of one of the most regulated sectors in the UK, it is important that the Group has ongoing dialogue with local and national government and supervisory bodies. We engage in conversations about our operations and the sector, and have regular meetings to discuss issues that are relevant to our business. We engage with elected representatives at every level, including Parliament, the devolved institutions and local government, as well as civil servants, regulators, trade associations and think tanks, and we do so in a way that is consistent with our values and that meets the expectations of society.

How we engage

- Meetings
- Regulatory reporting
- Policy and trend analysis
- Industry forums
- Responding to consultation papers
- Political stakeholder briefings
- Virtual events with MPs and Ministers on key topics

Communities

The Group has made a number of public commitments to support our local communities, engaging them and ensuring that they positively benefit from our societal ambitions. We encourage colleagues to volunteer their time and expertise to support our programmes, many of which involve local charities and community organisations as well as social enterprises. Key topics of engagement with communities related to: customer vulnerability; financial education; climate change; financial capability; education and young people; and employability.

How we engage

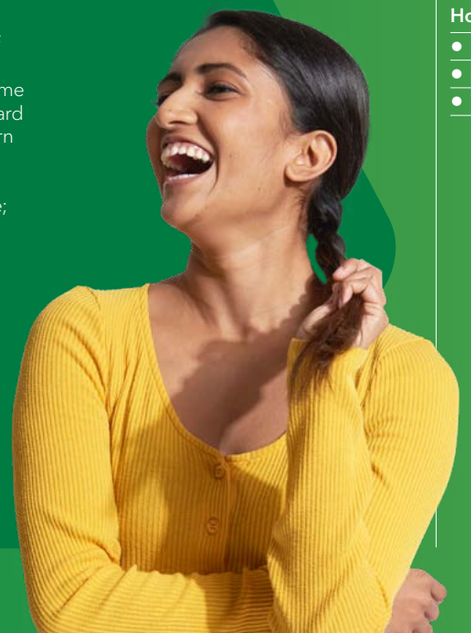
- Social media
- Ongoing dialogue with community partners
- Supporting community organisations
- Lloyds Banking Group's Foundations
- Colleague volunteering
- Colleague fundraising

Customers

We value learning from the thoughts and perspectives of our customers and a fundamental part of meeting their needs is getting the basics right first time. From time to time we do make mistakes, but when this happens, we work hard to fix the issue quickly for the customers involved and learn from any mistakes. Engagement topics with customers in 2021 included: support to address recovery from the pandemic; customer financial hardship; customer service; accessibility to services; climate change and biodiversity; data privacy; scams and fraud; lending fees and charges; and accessible banking.

How we engage

- Customer feedback and complaints
- Client events
- Social media
- Email and post
- Face-to-face via branches
- Our mobile banking app
- Customer surveys including Net Promoter Score



NGOs

The Group maintains a close dialogue with a number of organisations and charities. During 2021, we have engaged with various non-governmental organisations (NGOs) on issues related to our net zero ambitions and climate strategy, fossil fuel financing, biodiversity loss, and human rights initiatives.

How we engage

- Ongoing written correspondence
- NGO participation in industry meetings
- Virtual meetings

ESG ratings agencies

We acknowledge the role that ESG ratings agencies play in assisting institutional investors to consider ESG disclosures in their investment processes and portfolios. We engage with the key ratings agencies with the aim of ensuring that all information on which our rankings are based is accurate, transparent and consistent.

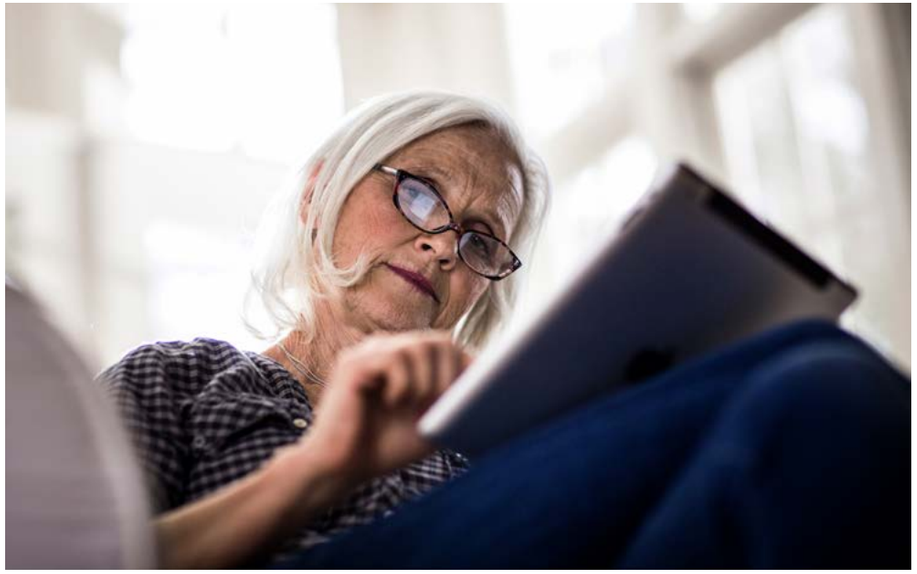
How we engage

- ESG investor presentations and meetings
- Proactive engagement
- Annual reporting
- ESG index responses

Helping Britain Recover

Understanding the issues that matter to our stakeholders

Engaging and responding to stakeholders is fundamental to being a responsible business. Each year, we gather a wide range of views through our materiality assessment, which guides our purpose, strategy and reporting.



Our approach to materiality

We conduct a dedicated materiality assessment every year to help inform our strategic thinking and shape our corporate reporting. This year we used insights gathered from stakeholders including customers, colleagues, investors, industry bodies and NGOs.

In addition to the views of our stakeholders, the Group acknowledges the growing focus on materiality in reporting frameworks, accounting standards and regulations. We reviewed industry developments related to the identification of material ESG-related topics in the finance sector to ensure that the information needs of our investors and broader stakeholders as indicated through reporting standards such as the GRI, SASB, the World Economic Forum Stakeholder Capitalism Metrics, the UN Sustainable Development Goals, and the UNEP FI Principles for Responsible Banking are considered.

Our annual materiality assessment comprises four stages:

- issue identification
- prioritisation
- refinement
- review

Through this process, a wide range of ESG issues specifically relating to the financial services sector and Lloyds Banking Group are identified. We prioritised material topics based on the strategic importance of the issue to the Group, the importance of the issue to our stakeholders as well as the social, economic and environmental impact of each topic in relation to the core activities, products and services provided by the Group. The findings of the materiality assessment were discussed and approved with key internal audiences.

Our material topics

Through our insight-driven materiality assessment and ongoing stakeholder engagement, we identify the opportunities and challenges relating to our business that matter most to our stakeholders. As we seek to further integrate our financial and non-financial disclosures, commentary on these topics is covered in both our 2021 Annual Report and Accounts and this report, with further detail on the material topic of climate change in our standalone 2021 Climate Report.

Emerging topics

We closely monitor emerging reporting developments and best practices, including the Task Force on Nature-related Financial Disclosures (TFND), and developments in the UK Modern Slavery Act and human rights initiatives.

We have identified biodiversity and human rights as emerging topics for the Group through this year's materiality assessment, and we anticipate they will continue to become more prominent for the Group and our stakeholders in the future. In 2022, we will be further exploring these topics and our capabilities, as we develop our response and take action on these emerging issues.

Reporting frameworks and standards

The following frameworks and standards guide our reporting. For more detailed mapping to these frameworks and standards, see our appendix of this report, available to download at our **Responsible Business Downloads Centre.**

Helping Britain Recover

Understanding the issues that matter to our stakeholders

Our 2021 material issues and stakeholders impacted

Material topic	Why this topic is material to the Group	Stakeholders	Our response
Assisting businesses and customers to recover from the pandemic	As one of the UK's largest financial services company's, and with millions of customers, we're supporting them in times of recovery, and we continue to assist businesses and clients to grow by providing solutions that address complex societal and economic issues.	Colleagues, Investors, Customers, Communities, Regulators and governances, Suppliers, ESG ratings agencies, ESG analysts, NGOs, Industry bodies	Pages 18 to 28 of this report 2021 Annual Report and Accounts
Biodiversity and natural capital	We recognise the important role that financial services in particular can play in helping to preserve natural ecosystems, minimise nature-related risks, and channel capital towards protection and restoration of natural capital stocks.	Investors, ESG analysts, ESG ratings agencies, NGOs, Suppliers, Communities, Industry bodies	Pages 36 to 39 of this report
Climate change	As one of the UK's largest financial institutions, we have an important role in managing the impact of our activities, products and services on climate change, and the risks and opportunities to the growth of our business as a result of climate change.	Investors, Suppliers, Regulators and governances, Customers, ESG analysts, NGOs, Communities, Industry bodies	Pages 30 to 35 of this Report 2021 Annual Report and Accounts 2021 Climate Report
Customer support, digital capability and financial inclusion	Customers expect a digital banking experience that is easy, simple and efficient. At the same time, customer needs are becoming more complex, and our ability to support them in times of hardship and anticipate when they are vulnerable allows us to help when it matters most.	Investors, NGOs, Regulators and governances, ESG analysts, Customers, Industry bodies	Pages 18 to 21 of this report 2021 Annual Report and Accounts
Governance, conduct, culture and customer data security	We are continuously working to strengthen our management of risk, culture and governance, as well as improving our processes to deliver better customer and employee outcomes in a responsible way. This includes ensuring that, as a business, we continue to protect the money and data of our customers through the deployment of technology to mitigate against breaches of our systems.	Investors, Suppliers, ESG analysts, ESG ratings agencies, Colleagues, Industry bodies	Pages 16 and 56 to 63 of this report 2021 Annual Report and Accounts
Health and wellbeing of our colleagues, new working arrangements	As a major employer in the UK and a people-based organisation, providing a safe, flexible and supportive workplace with fair remuneration policies helps us attract, retain and develop our colleagues.	Investors, Colleagues, ESG ratings agencies, ESG analysts, Regulators and governances, Industry bodies	Pages 50 to 53 of this report 2021 Annual Report and Accounts
Inclusion and Diversity	As a large employer, we aim to create a fully inclusive environment that is representative of modern Britain, where everyone can reach their potential. As a UK-focused financial institution, we believe that economic and social recovery should be truly inclusive and involve communities across the UK's nations and regions.	Investors, ESG analysts, Colleagues, Regulators and governances, Communities, Industry bodies	Pages 47 to 49 of this report 2021 Annual Report and Accounts
Modern slavery and human rights	Through our lending and investment processes, we aim to respect and positively impact human rights and mitigate modern slavery in our value chain through our role as a financial services provider, lender, purchaser of goods and services, employer and supporter of our communities.	Investors, NGOs, Regulators and governances, ESG analysts, ESG ratings agencies, Suppliers, Communities, Industry bodies	Pages 57 to 58 and 62 of this report

Colleagues · Investors · Customers · Communities · Regulators and governances · Suppliers · ESG ratings agencies · ESG analysts · NGOs · Industry bodies

Helping Britain Recover

Responsible business, governance and accountability

The Responsible Business Committee (RBC), a sub-committee of the Board, oversees and monitors the Group's plans for delivering the Group's aspiration to be a trusted and responsible business as part of our purpose of Helping Britain Prosper.

The Board has overall oversight of ESG matters with our Board-level RBC overseeing the Group's performance as a responsible business, including the delivery of our sustainability strategy. Both the Board and RBC are supported by the Group Executive Committee (GEC).

The RBC's purpose is to support the Board in overseeing the Company's policies, performance and priorities as a responsible business and to oversee the Company's activities on all stakeholders including customers, shareholders, colleagues, suppliers, the wider community and the environment.

During 2021, the RBC regularly discussed updates on our Helping Britain Recover commitments, our community activity, our sustainability strategy and our culture and workforce engagement, while providing oversight and challenge on those activities that impact our stakeholders.

"The breadth of responsible business practice is increasingly intrinsic to the way the best businesses operate. Fairness and sustainability being at the heart of how decisions are made."

Amanda Mackenzie
Non-Executive Director, Committee Chair

The Committee is composed of Non-Executive Directors, ensuring a broad range of differing perspectives, insight and experience, with executive representatives from Group Internal Audit and the Chief Operating Office attending meetings as appropriate.

Committee changes in 2021

Sara Weller served nine years as a Non-Executive Director up to February 2021, and retired as Chair of the RBC and a Non-Executive Director at the AGM in May 2021. Amanda Mackenzie, a Non-Executive Director since October 2018, has taken on the role as Chair of the RBC following Sara's retirement from the Board.

Sarah Legg, a Non-Executive Director since December 2019 and Chair of the Audit Committee, was appointed as a member of the RBC with effect from 1 February 2021.

Climate governance

Climate governance is integrated in existing committees and builds on their areas of responsibility and expertise. Details of the governance of climate risks and opportunities, and management's role in assessing and managing climate-related risks and opportunities can be found in our 2021 Climate Report.

The RBC's terms of reference can be found online **here.**

Lloyds Banking Group Board

Responsible Business Committee

Amanda Mackenzie
Non-Executive Director, Committee Chair

Robin Budenberg CBE
Group Chair

Lord Lupton
Non-Executive Director

Alan Dickinson
Non-Executive Director

Sarah Legg
Non-Executive Director

Stuart Sinclair
Non-Executive Director

The RBC supports the Board in overseeing the Group's policies, performance and priorities as a responsible business by:

- Meeting quarterly and providing regular updates to the Board, the RBC oversees and supports the Group's strategy and plans for delivering the Company's aspirations to be a trusted and responsible business, as part of the Company's purpose of Helping Britain Prosper
- Providing oversight and challenge on those activities which impact on the Group's behaviour and reputation as a trusted, responsible business
- Considering in detail and recommending to the Board for approval the Group's ESG Report
- Reporting to the Board on the matters for which the RBC is responsible, escalating issues and making recommendations to the Board where appropriate to do so

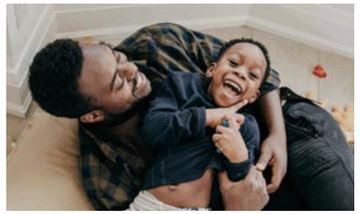
The Responsible Business Committee Report can be found on page 100 of the 2021 Annual Report and Accounts.
Further information on our governance and Group Board can be found on page 69 of our 2021 Annual Report and Accounts

Group Executive Committee

Our 2021 Helping Britain Recover commitments

As a result of the pandemic and our unique position at the heart of the UK economy, our priority for 2021 was to focus on Helping Britain Recover. We committed to working with our stakeholders in five areas where we could make the most difference to the recovery of the UK.

✔Indicator is subject to limited ISAE3000 (revised) assurance by Deloitte LLP for the 2021 ESG reporting. Deloitte's 2021 assurance statement and the 2021 Reporting Criteria are available online at https://www.lloydsbankinggroup.com/our-group/responsible-business/reportingcentre.



Help rebuild households' financial health & wellbeing

Through the course of 2021, we remained committed to supporting our customers to become more financially resilient, and to plan and save for the future. We provided practical support, and flexibility where possible, to help customers facing financial difficulty get back on track, and we helped as many customers as we could to stay in their own home.

What we achieved in 2021

- Continued to invest in supporting customers facing financial difficulties, with 6,500 specially trained colleagues who have successfully helped customers become more financially resilient
- Achieved accreditation as Mental Health Accessible for Halifax and the Bank of Scotland in addition to our existing Lloyds Bank accreditation
- Partnered with independent debt advice organisations to ensure customers had access to practical support

Support businesses to recover, adapt and grow

We continue to remain by the side of UK businesses as they recover, supporting them to adapt and grow, and create quality jobs across all of the UK.

What we achieved in 2021

- Helped our business customers to plan for their recovery, supported by over 1,100 business specialists. We delivered extensive colleague training to ensure we can understand and best support our customers' individual needs
- We have supported over ✔93,000 small businesses[1] and start-ups, by providing our customers with online support, business advice and business banking accounts, exceeding our initial commitment of 75,000 by the end of 2021
- Helped over 193,000 small businesses to boost their digital capability and technology adoption in 2021 through the Lloyds Bank Academy, and our partnerships with Small Business Britain and the UK Government's Help to Grow scheme

1 This figure comprises both for-profit enterprises and not-for-profit enterprises, such as charities. Not-for-profit enterprises comprise approximately 10% of this figure.

Expand the availability of affordable and quality housing

As the UK recovers from the pandemic, we aspire to a UK in which all households have access to stable, affordable and safe homes in places they want to live. We have committed to broadening access to home ownership and exploring opportunities to increase our support to the UK rental sector.

What we achieved in 2021

- Provided £16.3 billion of lending to help people buy their first home in 2021, exceeding our target of £10 billion by the end of the year
- Delivered £3.4 billion of new funding, of which £2.4 billion is related to sustainability improvements, in support of the social housing sector. In addition, we have actively supported our clients to raise debt in the capital market through Green, Sustainable or other ESG linked bonds
- Supported the creation of national sustainability standards for housebuilding finance through becoming a member of the NextGeneration Executive Committee alongside Homes England and the UK Green Building Council, and are contributing to the development of a checklist and further benchmarking to support the delivery of sustainable finance tailored towards the scale of the housebuilder
- Assessed the energy retrofit requirements of around 240,000 social homes owned and managed by our customers in the social housing sector

Accelerate the transition to a low carbon economy

We want to play our part in supporting the transition to net zero, and remain committed to working with customers, government and the market to help reduce the carbon emissions that we finance by more than 50 per cent by 2030 on the path to net zero by 2050 or sooner.

What we achieved in 2021

- Expanded the funding available under the Group's discounted green finance initiatives[2] from £3 billion to £5 billion to support businesses as they transition to a low carbon economy
- More than £6.9 billion of green/ESG related finance[3] was delivered in 2021
- Launched our new goal to ensure our own operations are net zero by 2030 and in support of the goal, we have also joined the UK Green Building Council Net Zero Carbon Buildings Commitment
- Became the first major pensions and insurance provider to target halving the carbon footprint of our investments by 2030 on our path to net zero by 2050 and published the Scottish Widows Climate Action Plan
- Introduced a flagship fossil fuel-free fund to support green growth and allow pension savers to choose to invest in UK companies pursuing a positive environmental impact

2 Funding provided by Commercial Banking since 2016 under the Clean Growth Finance Initiative (CGFI) and Commercial Real Estate Green Lending (CRE GL).
3 Includes CGFI, CRE GL, Renewable Energy Financing, Sustainability Linked Loans and Green/ESG/Social Bond facilitation.

Build an inclusive society and organisation

We believe that economic and social recovery should be truly inclusive and involve communities across the UK's nations and regions.

What we achieved in 2021

- Progressed against our new aspirations for our leadership team to reflect the society that we serve through our targets of 50 per cent women, 13 per cent Black, Asian and Minority Ethnic colleagues and 3 per cent Black heritage colleagues in senior roles by 2025, achieving progress to 37.7 per cent ✔, 8.8 per cent ✔ and 1 per cent ✔ respectively
- Maintained our £25.5 million contribution to our independent charitable Foundations with the Lloyds Bank Foundation for England and Wales, focusing 23 per cent of its support on Black, Asian and Minority Ethnic led charities. In 2021, our total community investment was £46 million ✔, which includes our colleagues' time, direct donations, leverage,management costs and in-kind giving
- Supported regional regeneration by launching the Regional Housing Growth Initiative, helping small and medium-sized housebuilders create more homes in the North of England, the Midlands and the regions of Scotland
- Supported financial inclusion by providing banking for groups of people experiencing homelessness and financial abuse, and those who are victims of modern slavery and supporting the prisoner banking programme

Help rebuild households' financial health & wellbeing

Supporting our customers in challenging times 19
Helping people save for the future 19
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Domestic and economic abuse 21
Building financial capability 21

Supporting the achievement of the following SDGs

Helping Britain Recover

Help rebuild households' financial health & wellbeing

We remain committed to supporting our customers to become financially resilient and to plan and save for the future. We will provide practical support, and flexibility where possible, to help our customers facing financial difficulty get back on track and help as many customers as we can to stay in their own home.

Lloyds Banking Group is committed to improving the financial wellbeing and resilience of our customers, colleagues and communities through the work we do. We recognise the impact of the pandemic and the need to support our customers in rebuilding, by ensuring not only access to the right financial services and products, but pairing this with investment in financial education and upskilling, allowing for their effective use. This combination will play a central role in improving the financial wellbeing of individuals, households and society as we continue to recover and plan for the future.

We have helped over

267,000

customers across both unsecured and secured lending

Supporting our customers in challenging times

The Group is committed to providing meaningful support to meet the needs of our customers, aiming to provide positive outcomes, and working to mitigate or reduce the risk of financial harm that customers in vulnerable circumstances can face. The pandemic has magnified existing challenges faced by many customers, and brought new challenges affecting health, income and relationships. By adapting our support, proactively contacting customers, and using insight to understand their needs, we continue to help our customers as we start to learn to live with the legacy of the virus.

Empowering our colleagues

We acknowledge the importance of a culture which empowers our frontline colleagues to respond to customers' changing needs and to provide more flexibility. We have made it easier for colleagues to record and access vital customer support information while servicing our customers. We have also helped colleagues further develop their skills and grow their confidence and ability to provide both in-the-moment and ongoing support to our customers. We have also made it easier online for our customers to tell us what support they need – for example, customers can let us know if they have difficulty with speech.

We enhanced the support we give our colleagues when they help customers in challenging circumstances – for example, we ran a pilot to give colleagues access to a professional counsellor to debrief after a challenging customer interaction.

We continued to invest in supporting customers facing financial difficulties, and at the beginning of the year we had over 6,500 colleagues trained to support customers to build their financial resilience. We strengthened our relationships with free independent debt advice organisations by building these connections into our digital journeys and colleague tools, providing over 133,000 of our customers with easy access to additional practical support. In doing so, we have helped over 267,000 customers by putting in place plans and treatments, bespoke to their circumstances across both unsecured and secured lending, supporting them in their long and short-term financial wellbeing needs.

Working with our charity partners

Working with partners across the third sector, we have also deepened our support for customers, providing them with more holistic options; we are offering access to support that a bank would not traditionally offer. Working with partners such as Grief Encounter, to offer emotional support following a bereavement, or Turn2us, to support customers in identifying and claiming welfare benefits, has allowed us to support customers during the new challenges the pandemic has brought and offer a level of care far greater than their banking needs.

As well as offering practical customer support measures, we're working together with a number of organisations, such as Mental Health UK, Surviving Economic Abuse, and independent debt charities to support the financial wellbeing of our customers, helping them to plan for the future and to increase their financial resilience.

Through our brands, we signpost our customers to a number of organisations including:

PayPlan
A free, confidential advice service is available to anyone worried about money, and can help reduce the amount people pay towards their debts each month

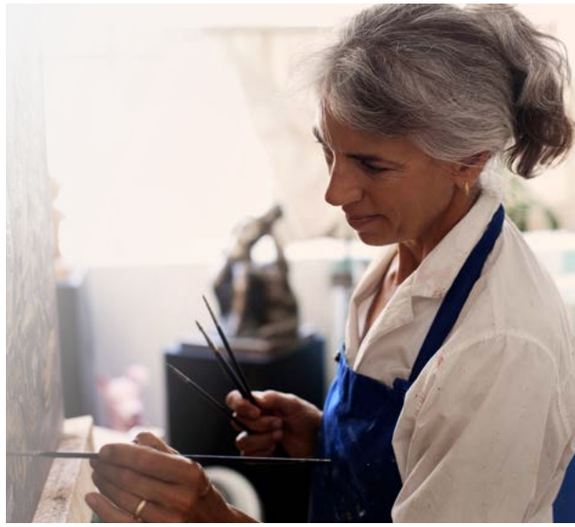
StepChange Debt Charity
The UK's leading debt advice charity, they help more than 635,000 people each year deal with their money worries with free, impartial and non-judgmental advice

Turn2us
Helps people in financial need gain access to welfare benefits, charitable grants and other financial help – online, by phone and face-to-face through our partner organisation

Helping people save for the future

We recognise the importance of savings to help build financial resilience and to help tackle disadvantage. We want to make saving for the future as easy as possible and we continue to improve choice, flexibility and control for customers who are investing, saving or planning for the future.
On top of the £45.6 billion* open book growth from 2018–2020 (market movements and net flows), 2021 saw growth of £20.3 billion over the period, driven by strong net flows in Workplace and Stockbroking businesses alongside positive market movements. This gives a total open book growth across the four-year period from 2018–2021 to £65.9 billion.

* Growth in assets under administration on our front books.



Helping Britain Recover
Help rebuild households' financial health & wellbeing

In focus

Money and Mental Health Policy Institute essentials level accreditation

Following our Lloyds Bank accreditation in 2020, we were delighted to have received the Money and Mental Health Policy Institute (MMHPI) essentials level accreditation for Halifax and Bank of Scotland. This demonstrates our continuing ambition to ensure that the services we offer our customers are right for them, and that we are continuing to challenge ourselves on where improvements could be made.

Recognising the link between mental health and debt

Like many disabilities or long-term health conditions, a mental health condition is different for every individual. Throughout 2021 we have continued in addressing the stigma that still exists around mental health, and have strived to offer support to our customers in the right way for them. We have reviewed our support and created new offerings to help our customers focus on their mental health and wellbeing. These include reviewing our money worries support service, which recognises the link between mental health and debt. Additionally, we have also reviewed and redesigned our accessibility pages across Lloyds Bank, Halifax, and Bank of Scotland to improve our customer journey and make it easier for customers to find the support they want.

The digital skills gap

Lloyds Banking Group has long been an advocate and activator of digital skills and inclusion in the UK, and while much progress has been made, there is still much more to do.

This has been done with an end-to-end approach; leveraging our data to provide market-leading insight, supporting colleagues with their own capabilities, open-sourcing our internal training and expertise for the benefit of our customers and clients and influencing beyond our organisation. The Group has one of the largest registered Digital Champions programmes, and colleagues engage with friends, families and communities across the country to provide help and support with digital skills and online access.

1,700
devices and data provided to customers

Our benchmark indexes
In 2021, the Group produced two benchmark indexes detailing the digital state of the nation:

The Essential Digital Skills Report
This report benchmarks the UK's digital skills in partnership with the Department for Education and explores the digital skills that are needed to access the online world, and most essentially for everyday life and for work. Key outcomes of the report:

- 41.9 million adults in the UK today have the essential digital skills they need for everyday life
- The biggest change we have seen, and the most positive, is that 5.6 million more adults now have essential digital skills for work, meaning 20.9 million working adults have the skills to thrive in a workplace
- The UK still has 10 million adults who can't do the digital basics – connect to Wi-Fi or even turn on a device independently

The Consumer Digital Index
In our sixth report, 2021 data illustrates that the UK has truly accelerated and is now at the levels of digital engagement that it was expected to reach in 2025, which means that there are now 1.5 million more people online. However, despite the necessity to access digital-only services and products, 2.6 million people are still offline, and for many in this group, digital exclusion has exacerbated their existing vulnerabilities.

Lloyds Bank and Bank of Scotland Academy
To facilitate the shift to a more digital economy, the Group has developed the Lloyds Bank and Bank of Scotland Academy. The Academy teaches essential digital and workplace skills through online and face-to-face courses, aiming to provide support where, when and how people need it. During 2020 and continuing into 2021, these courses shifted to online webinars due to lockdown restrictions. The Academy curriculum continues to expand, having a breadth of content and partners, including large corporates, charities, credit unions and job seekers. We have worked closely with our internal experts to create a suite of online training, helping people navigate and avoid online harms, and we will launch new, dedicated financial capability training in the first months of 2022. This will help people to manage their money in an increasingly digital world.

Influencing the inclusion agenda
Lloyds Banking Group is a founding organisation of FutureDotNow, a coalition of leading companies in the UK dedicated to accelerating the UK's digital skills at scale, with a focus on the employees and customers of large organisations. As a Group we ensure that we partner for progress – helping us to avoid duplication and expand our influence and reach.

These partnerships include:

- The UK Government through contributing data and expertise to the 2017 Digital Strategy and creating the Digital Skills Partnership
- Local government and combined authorities, including the Greater Manchester Combined Authority, where we have worked with local digital skills partnerships
- Through our relationship with Be The Business, we help businesses understand and adopt technology to increase productivity

We have worked with partners internationally, including Bank of New Zealand to share learnings on best practice research into digital skills.

Helping people build their digital confidence and get digital access: Digital Helpline
In April 2020, the Group delivered a new dedicated phone line which provides guidance and remote training to customers less able to see us in branch, to help them stay connected with everyday digital activities, including online banking. Customers were contacted and able to access free and practical support to help them stay connected online. With guidance from agents from We Are Digital, a social impact company, users learn skills to help with everyday tasks such as online shopping, booking a doctor's appointment using the NHS website, connecting virtually with family and friends, as well as online banking. The service provides not just remote help via a telephone, but also allows for customers and charities in need to be provided with a basic tablet device. To date, we have provided over 1,700 devices and data, and helped 14,800 callers to the helpline. The Digital Helpline will continue to operate in 2022, supporting our customers and communities.

Helping Britain Recover
Help rebuild households' financial health & wellbeing

In focus

Working with Calico to help homeless customers access banking services

Working with Calico, a group of social businesses which deliver products and housing to local communities to make a difference in people's lives, Lloyds Banking Group has been able to support homeless customers who were previously unbanked to not only open accounts but also to gain access to welfare benefits and housing.

"As part of our work with Calico, I met a man who had found himself homeless. He was given emergency accommodation in one of the rooms above a pub, and was told, with the help of the local council and Calico, that he was eligible for his own flat as well as Universal Credit to help him get up and running. But he had no bank account and without it he could not apply for either.

I looked at his ID with him which had been an issue every time he'd previously tried to open a bank account. We were able to help with a letter of introduction from his support worker and a tenancy agreement from the council for his emergency accommodation and so he now had access to banking that he needs to secure a more permanent place to call home.

He's recently moved into his new flat and accessed Universal Credit; the main benefit is that he now has a safe place for his children to visit. He sees all of this as a stepping stone to getting back into employment. It looked like he was stuck in a situation he couldn't get out of but, with just a little help, that's all changed for him."

Andrew Ferguson
Bank Manager, Lloyds Bank

Access to banking
Lloyds Banking Group is committed to supporting access to mainstream banking for those who may be excluded, often due to the lack of availability of standard identification documents, such as those who have been experiencing homelessness, victims of modern slavery, those fleeing domestic abuse or ex-offenders. We have worked with a number of local charities to ensure accounts can be opened for people across the UK by developing flexible processes. The benefit for such customers can be transformational.

Domestic and economic abuse
As a Group, we're here to support our customers and colleagues through difficult times. That's why we've introduced a Domestic and Economic Abuse team to support victims and survivors of financial and economic abuse, offering support to help them regain control of their finances. The introduction of this team is an important next step in both raising awareness and supporting our customers. It's essential that our customers know they can speak to us and that we can provide specialist support for their personal situation. The service provided includes financial guidance as well as directing customers to specialist charities for emotional and practical support. It provides assistance to customers experiencing various financial issues, including how to manage or separate joint accounts, how to open new accounts, provides advice on dealing with debts such as loans or mortgages and helps customers to gain control of their own finances.

In April 2021, the UK Domestic Abuse Act 2021 commenced, which defines a statutory definition of domestic abuse including economic abuse. The law provides great protection to individuals experiencing domestic abuse, and strengthening measures to tackle perpetrators. Paired with national news stories it has resulted in an increased focus on women's safety, in particular.

116

charities supported helping people affected by domestic abuse across England and Wales in 2021

In April 2021, the UK saw an increase in reports of domestic and economic abuse, particularly following the national and local lockdowns, as a result of COVID-19.

We are proud of the support we have made available to victims and survivors. Our engagement with the charity Surviving Economic Abuse has been critical to achieving this, and working with them, we have been able to support victims to separate their financial affairs quickly and, where appropriate, show leniency regarding debt incurred as a result of coercion.

"Surviving Economic Abuse is proud to support Lloyds Banking Group in delivering an informed and high-quality service to customers who may be experiencing economic abuse. Financial services have a crucial role to play in tackling economic abuse and this is a brilliant example of the work being rolled out across the industry."

Dr. Nicola Sharp-Jeffs OBE
Director of Surviving Economic Abuse

Charitable partnerships
We work closely with Safe Lives, Surviving Economic Abuse and Tender to provide the right support at the right time, and have actively brought their insight and expertise into several internally run Group-wide webinars. Through these relationships, we have also trained our colleagues to support customers experiencing domestic and economic abuse. Training on this topic is part of an ongoing programme which is delivered to all customer-facing colleagues. In addition, we have engaged with a number of local charities to refer victims and survivors to our Domestic and Economic Abuse team for support with their finances.

In 2021, the Lloyds Bank Foundation for England and Wales supported 116 charities helping people affected by domestic abuse across England and Wales. Through these charities, we know that many victims and survivors face huge challenges when it comes to accessing and separating finances. That's why it's vital to bring these charities, which have invaluable insight, together with Lloyds Banking Group to explore how services can be improved.

To learn more about how we support our colleagues experiencing domestic and economic abuse please refer to **page 52** of this report.

Building financial capability
Supporting our communities through our colleague volunteering enables our colleagues to connect across the UK to help children and young adults understand the value of money and manage their money day-to-day as they transition to financial independence.

As highlighted by the recent independent report for the UK Strategy for Financial Wellbeing, the pandemic is amplifying the need for financial wellbeing across the UK. Over the past year, our financial capability and education reach have increased through the following main areas in order to maintain a more sustainable proposition.

Virtual guides have been developed enabling colleagues to deliver financial capability content across the UK including in deprived areas.

In order to support our communities and to Help Britain Recover from the ongoing pandemic, content is also available to everyone via our Lloyds Bank Academy.

We have worked with Young Enterprise to ensure that learning outcomes are in line with recommendations from the Money and Pensions Service. Providing a curriculum that is relevant for a digital society, and is quality marked, gives educators confidence that the financial education material is of the highest quality. Content has been designed inclusively to reach the most vulnerable in society, providing equal access to quality education for all. This enables charities such as the National Deaf Children's Society within the communities to build our content into their youth programmes.

Employers can also use the content to build it into their apprenticeship and graduate enrichment programmes. Our material is available for all our colleagues to support their own families, friends and communities.

Support businesses to recover, adapt and grow

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Supporting the achievement of the following SDGs

Helping Britain Recover

Support businesses to recover, adapt and grow

We will be by the side of businesses as they recover, supporting UK business to adapt and grow, and create quality jobs across the UK.

Supporting the fast recovery of UK business is fundamental to our purpose of Helping Britain Prosper. Our focus for 2021 has been helping UK businesses recover quickly from the COVID-19 crisis, enabling them to adapt and grow, creating quality jobs across all of the UK.

Supporting business to recover

The Group has actively supported our clients during the pandemic with c.£13 billion of lending through government-backed schemes, comprising over 340,000 Bounce Back Loans (including 24,000 top-ups), 10,500 Coronavirus Business Interruption Loans and 84 Coronavirus Large Business Interruption Loans (with the UK Government closing these schemes at the end of March 2021).

We have helped our business customers to plan for their recovery, supported by over 1,100 business specialists in communities across Britain, and delivered extensive colleague training to ensure we can understand and best support our customers' individual needs.

We have continued our support by taking part in the government-backed Recovery Loan Scheme launched in April 2021. As our customers approach their payment anniversaries we have been focused on providing additional support, with communication and outreach campaigns, the launch of the Bounce Back Loan Scheme (BBLS) – Pay As You Grow online and our new Business Banking Financial Assistance team supporting over 2,500 inbound calls per week.

Helping business to start up and grow

In 2021, we supported over 93,000 ✔ small businesses[1] and start-ups, by providing our customers with online support, business advice and business banking accounts, bringing the total number of small businesses and start-ups we have supported to more than 300,000 since 2018.

For over six years, Lloyds Banking Group has demonstrated how crucial technology is for small businesses and the digital economy through the Business Digital Index and Transformation with Tech reports. We've supported over 193,000 small businesses to boost their digital capability and technology adoption in 2021 through the Lloyds Bank and Bank of Scotland Academy, and our partnerships with Small Business Britain and the Government's Help to Grow Scheme. We have broadened our focus of support with new modules in the Academy to address challenges that businesses will face in 2022 and beyond, including sustainability, online harms and growth.

Supporting business to transition to net zero

Supporting businesses to transition to a low carbon economy is of strategic importance to us. We have expanded the funding available under the Group's discounted green finance initiatives[2] from £3 billion to £5 billion to support businesses as they transition to a low carbon economy. More than £6.9 billion of green/ESG related finance[3] was delivered in 2021, including supporting 42 clients with £3.4 billion of new sustainability and ESG linked loans in 2021, a four-fold increase in clients supported from 2020.

£6.9bn

of green/ESG related finance[2] provided in Commercial Banking in 2021

1 This figure comprises both for-profit enterprises and not-for-profit enterprises, such as charities. Not-for-profit enterprises comprise approximately 10% of this figure.
2 Funding provided by Commercial Banking since 2016 under the Clean Growth Finance Initiative and Commercial Real Estate Green Lending.
3 Includes Clean Growth Finance Initiative, Commercial Real Estate Green Lending, Renewable Energy Financing, Sustainability Linked Loans and Green/ESG/Social Bond facilitation.

Further information on our green finance initiatives can be found within our **2021 Climate Report**.

Sector-specific initiatives:
We are also working on sector-specific initiatives, helping whole industries transition to net zero.

Agriculture

We've made a commitment to support the agriculture sector to meet its net zero target, through our brands – Lloyds Bank, Bank of Scotland and the Agricultural Mortgage Corporation. The sector generates 10 per cent of the UK's carbon emissions, and we have an important role to play as the largest lender to the sector. Our package of measures includes lowering the minimum lending amount to access green funding, broadening what we finance, and promoting and facilitating the use of three market-leading carbon measurement tools. In 2021 we published our research '**Shaping agriculture's transition to a net zero future**', which identified seven recommendations for the sector. We've supported our clients with practical advice on each of these recommendations through monthly webinars and our specialist trained Relationship Managers.

Real estate development

In the real estate and housing sector, we have supported the creation of national sustainability standards for housebuilding finance through becoming a member of the NextGeneration Executive Committee alongside Homes England and the UK Green Building Council, and are contributing to the development of a checklist and further benchmark to support the delivery of sustainable finance tailored towards the scale of the housebuilder. To help support this move towards sustainable buildings, our customers have access to our Green Buildings Tool – a digital insights calculator that helps to identify, evaluate and understand the estimated outcomes of potential investments to make properties greener. In 2021, around 240,000 social housing buildings have been assessed by our Green Buildings Tool to help the sector continue on its decarbonisation journey.

✔ Indicator is subject to limited ISAE3000 (revised) assurance by Deloitte LLP for the 2021 ESG reporting. Deloitte's 2021 assurance statement and the 2021 Reporting Criteria are available online at our **Responsible Business Downloads Centre**.

In focus

Boosting small businesses' digital skills – Axe Valley Accountancy

Amanda Hines founded Axe Valley Accountancy in July 2020 after she was unexpectedly made redundant due to the COVID-19 pandemic. Initially, the business focused on working with local outfits such as electricians, estate agents, retail owners and psychologists to offer book keeping, accountancy and self-assessment support. Now, it counts 65 clients on its books and has expanded its services across the UK.

To continue to grow her business, Amanda sought support to complement her two decades of experience working in the financial sector by attending the Lloyds Bank Academy's free digital skills training course: The Secrets of Ultimate Confidence & Resilience when Running a Small Business. On the back of this venture, the firm's productivity increased by 15 per cent, resulting in the business taking on 25 new clients in three months. Plans are now in place for an ambitious expansion.

"When COVID-19 hit last year I was made redundant, and the market was looking grim. I decided to take a leap of faith and start up on my own. When it comes to the accountancy and financial side of the business, I'm completely in my comfort zone. But as this is the first business I'd set up myself, I needed extra support in areas I'd not previously had experience of. The Lloyds Bank Academy has changed the way I operate entirely. Balancing my life between the business and my 10-year-old daughter means time management can be a challenge, but there were lots of practical hints and tips in the Academy's course to help with this."

Helping Britain Recover

Support businesses to recover, adapt and grow

Strategic partnerships

Be The Business: We continue to support our strategic partner Be The Business with its ambition to support one million UK small businesses. Our annual contribution has helped Be The Business to deliver a £45 million boost to UK SME productivity, unlocking a further £4.5 million of funding for Be The Business to allow it to test, trial and scale its work with small businesses. Joint thought leadership and research activities include the 2021 Be The Business Digital Trial in which 176 clients participated to help assess the role that financial institutions play in encouraging small businesses to adopt new technologies.

Foundervine: Our multi-year, strategic partnership through the Foundervine Immerse programme supports its mission to build opportunities to access entrepreneurship in underserved communities. Foundervine aims to accelerate learning and investment support through access to networks as well as advocating underestimated leaders by acting as a voice in the UK and beyond. In 2022, our partnership will aim to reach thousands of current or aspiring entrepreneurs through an ecosystem of programmes and support, including finance and marketing accelerators, networking events and an educational video content series.

Supporting Black-owned businesses

In 2021, in line with the Group's Race Action Plan (page 48 of this report), the Group set up the Black Business Advisory Committee, chaired by Claudine Reid MBE. The Committee helps steer our programme of support, ensuring Black-owned businesses have the best opportunity to start, grow, adapt and thrive.

Further key developments during 2021 included the publication of a landmark report exploring the full entrepreneurial journey for Black business owners in Britain – the **Black. British. In Business & Proud Report** 2021. The research, conducted by Black Business Network alongside research specialist Savanta, reflects over 800 voices from Black communities, including business owners, employees and students. Our report spotlights the role that banks and other institutions should play in breaking down the barriers to growth for Black entrepreneurs and identifies 10 key recommendations.

In response to the recommendations, we have launched a number of collaborative initiatives that we hope will help pave the way to a more equitable future for British Black-owned businesses. Working with our Black Business Advisory Committee, we have hosted national and regional Community Conversation events, providing networking opportunities and practical advice. We partnered with Black Business Network to create the Black Business Resource Hub – a directory of business resources, including funding, networking, mentoring, events and marketplaces. In partnership with Mentor Black Business, we have committed to connecting 100 colleagues with Black-owned businesses, to provide support across a six-month period to help the businesses progress.

Our multi-year partnership with Foundervine, announced in 2021, began with an Investment Readiness Accelerator and Pitch Day aimed at getting early-stage businesses investment-ready. And an ambitious set of programmes to deliver an ecosystem of support, education and engagement for the Black business community is being developed for 2022.

Visit the **Lloyds Bank Black Business Hub** to find out more about the initiatives for Black-owned businesses. Further information on the Group's progress on the Race Action Plan can be found on page 48 of this report.

Learn more about the **Foundervine Immerse programme**

Read more in the: **Black. British. In Business & Proud Report**

Download resources at the **Black Business Network Resource Hub**

In focus

Supporting Black-owned business: BeGenio

BeGenio is an early stage social impact business creating inclusive products to make maths fun for families using EdTech, play-learning and creative, innovative teaching methodologies to increase confidence and eradicate mathematical anxiety.

Founder of BeGenio Dr. Grace Olugbodi said: **"Too many children dislike maths and don't believe they can be good at it. They cannot relate maths to real life and have no effective, fun methods of practising maths. These issues can lead to low self-esteem, low self-confidence and maths anxiety, adversely affecting futures.**

COVID-19 has amplified this. The Education Endowment Foundation (EEF) found that primary school pupils eligible for free school meals have been worst hit and fallen behind more than the three months their classmates fell behind during lockdown. We need to act to avoid a 'catastrophe for disadvantaged children.'

BeGenio's games are designed with attributes: re-playability, deep play value and directly link to the three key aims of the National Curriculum. Our games are truly fun! BeGenio helps kids learn without them realising."

BeGenio's flagship and multiple award-winning board game Race To Infinity sold over 10,000 copies internationally and a further four games are ready to launch.

Further, BeGenio are creating a subscription-based augmented-reality App digitising Race To Infinity and combining the physical and digital world making maths enjoyable through games and tournaments globally for children aged 4–13 years; artificial intelligence will detect weaknesses in maths skills and help with measured progress. BeGenio estimates its addressable market size to be £7.2 billion globally.

Grace said: **"Lloyds Bank has been incredible in the support offered, particularly the Foundervine Investment Readiness Accelerator and the mentoring I have received. I was a winner on the Foundervine Pitch Day and very lucky to receive mentoring from Lloyds Bank's Head of Propositions and Channel Development.**

The work that Lloyds Bank is doing is so important because inclusivity is such a barrier in business. BeGenio recognises the challenges of running an enterprise as a Black female entrepreneur, especially when seeking investment and supply chain distribution in the UK. The support of Lloyds Bank can be the difference between success and failure for a small business. Lloyds Bank's commitment to inclusivity is highly commendable and the Race Action Plan shines a light and is a safe haven for businesses like BeGenio."

Helping Britain Recover

Support businesses to recover, adapt and grow

Apprenticeship support service

We have continued to promote the importance of bringing new skills into industry and we have supported apprenticeships by launching a new apprentice support service in conjunction with the Advanced Manufacturing Training Centre (AMTC) for manufacturing companies across England.

Established in 2015, the Lloyds Bank AMTC is a state-of-the-art training centre designed to create a new generation of engineers and technicians to help the UK realise its potential in advanced manufacturing. The Lloyds Bank AMTC connects apprentices with high-calibre manufacturing and engineering employers who are looking to employ the best talent in the industry. During 2021, the Group has continued with its long-term investment of £10 million over 10 years, which is on track to support the training and upskilling of around 3,500 apprentices, graduates and engineers by the end of 2024. Through our annual investment in the AMTC, we have trained over 2,500 apprentices, graduates and engineers in manufacturing since 2015.

Lloyds Banking Group and AMTC apprenticeships have teamed up to create a new partnership to deliver fully funded high-value engineering apprenticeships to SMEs in Coventry, Warwickshire and the surrounding areas. The Group has agreed £9 million of support over three years to help SMEs to invest in apprenticeships through our Levy Transfer initiative.

£10m

of investment in the AMTC over 10 years

3,500

apprentices, graduates and engineers trained by the end of 2024

By sharing our apprenticeship levy we have already committed over £5.4 million of this funding, helping 230 businesses and 450 apprentices with the costs of training and development of critical science, technology, engineering and maths (STEM) and digital skills in London, West Midlands and Greater Manchester, contributing towards the UK's recovery.

Regional development

Lloyds Banking Group is committed to helping all of Britain recover. We are particularly focused on the challenges and needs of businesses and communities in need of regeneration. In 2021, regeneration pilots were initiated in three cities – Liverpool, Leeds and Birmingham – testing a new approach to driving investment in these areas. Engaging and developing strong relationships with local stakeholders have allowed us to identify opportunities for Lloyds to support activity; that will have a real impact in these cities, leveraging our expertise in key sectors including manufacturing, housing, and infrastructure.

Throughout 2021 in these three regions, we have:

- Supported around 300 businesses to improve their digital skills through the Lloyds Bank Digital events in West Yorkshire
- Developed over 460 people through our apprenticeship programmes and our partnership with Regeneration Brainery

Furthermore, we believe that financial institutions have a role to play in acting as a convener in these places to drive change. In November 2021, we launched the Building Strong Places report, which explores the role of financial institutions in driving regional development.

£5.4m

funding, helped 230 businesses and 450 apprentices

In focus

Driving regional development in Leeds

In Leeds, one of our three pilot regions for our regional development programme, deep engagement with Leeds City Council has enabled us to better understand the priorities of the region, and to explore new ways to support its economic development.

Discussions centred on looking at different ways to support housing and related infrastructure in the city centre. By moving away from a transaction-led approach, and instead focusing on the needs of the place as a whole, we have been able to identify new financing options. This will accelerate project delivery and drive cohesion between an otherwise disparate group of stakeholders in order to better address local needs.

Tom Riordan, CEO of Leeds City Council, said:

"We see great potential for working with financial institution partners to activate regeneration projects in Leeds given that the sustainable funding of projects with social as well as economic value is critical to their success."

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Expand the availability of affordable and quality housing

Supporting the achievement of the following SDGs

Helping Britain Recover

Expand the availability of affordable and quality housing

As we recover from the pandemic, we aspire to contribute to a UK in which all households have access to stable, affordable and safe homes in places they want to live. We are committed to broadening access to home ownership and exploring opportunities to increase our support to the UK rental sector.

Helping people to access quality, affordable homes

As Britain's largest financial services group, we recognise our responsibility in addressing some of the issues that affect the residential sector. To support the transition to a sustainable low carbon economy, we are committed to remaining by the side of housebuilders, developers and landlords as they increase housing supply across all tenures.

We understand the need for housebuilders to create great places to live while delivering more sustainable homes that work for both the environment and the homeowner. Our specialist Real Estate, Housing and Sustainability and ESG Finance teams have supported housebuilders across the UK to understand the scale of the challenge and, importantly, to help them transition their businesses.

Supporting standards development

To support the sector transition and deepen relationships between housebuilders of all sizes, we have supported the creation of national sustainability standards for housebuilding finance through becoming a member of the NextGeneration Executive Committee alongside Homes England and UK Green Building Council, and are contributing to the development of a checklist and further benchmark to support the delivery of sustainable finance tailored towards the scale of the housebuilder.

We have supported the new Future Homes Task Force and are signatories to frameworks that endorse industry-wide standards. We also continue to drive the Housing Growth Partnership (HGP), providing financial support and mentoring to small and mid-sized housebuilders with over 2,500 HGP-supported homes built across the UK to date, with a total pipeline of almost 5,000 homes. During 2021, HGP 2 was launched to support the construction of a wider tenure of homes to meet the diverse and evolving UK housing need. The Regional Growth Initiative was also introduced to provide additional longer-term equity to accelerate the growth of the most ambitious regional housebuilders.

Supporting skills development

To support closing the future skills gap in UK housing, in 2021, alongside Homes England, we announced a three-year partnership with Regeneration Brainery that encourages school leavers from socially and economically deprived areas into real estate, construction and regeneration. To date, we have supported 50 school leavers with two Braineries held in Manchester with more Braineries in plan across the UK in 2022.

Affordable housing

In response to a lack of affordable housing which we recognise can be a potential barrier to tackling social disadvantage, we have worked with more than 200 housing associations across the UK. Over the last four years, we have provided over £12 billion of funding to the social housing sector and, to further support housing associations, we have become early adopters of the new Sustainability Reporting Standards which aim to standardise ESG reporting in the social housing sector by providing housing associations with a framework for implementation and reporting of their ESG performance, as well as unlocking investment. We have also secured colleague representation on the Board of Sustainability for Housing Limited which is responsible for the reporting standards.

We recognise the challenge residential landlords and housing associations face of retrofitting across their portfolios to reduce their environmental impact and generate significant economic and societal benefits. To support the retrofit challenge in social housing, in 2021 we have provided £3.4 billion of new funding, of which £2.4 billion is sustainable (green or social use of proceeds) or sustainability-linked (including ESG key performance indicators) and have partnered with sustainability consultancy CFP Green Buildings to give clients access to a new tool to help identify, evaluate and understand the estimated outcomes of potential investments to make properties more sustainable and energy efficient.

Using the **Green Buildings Tool**, we have mapped the energy efficiency of around 240,000 social homes owned and managed by our customers, so they can calculate the investment required to improve EPC ratings.

In focus

Sustainable funding to housebuilders: Hill

Hill is an award-winning family-owned and operated housebuilder and one of the leading developers in London and the South-East of England, delivering both private for sale and affordable homes, with a diverse portfolio of schemes ranging from landmark mixed-use regeneration schemes and inner-city apartments, to homes in rural communities. Hill has committed to reaching net zero carbon status by 2030 as well as leaving a positive environmental legacy by achieving Biodiversity Net Gain (BNG) across its portfolio.

In 2021, Lloyds Bank supported Hill with a £220 million sustainable funding arrangement to further boost Hill's plans to advance its ESG strategy and net zero status by 2030. The new sustainability-linked funding will support Hill as it looks to become a £1 billion turnover business by 2025, developing a portfolio of zero-carbon homes from construction through to operation. Lloyds Bank acted as sustainability coordinator on the new funding arrangement, with the £220 million provision split between four banks.

The funding links the loan margin to a series of ESG targets, including net biodiversity gain, Scope 1 and 2 emission targets and the sustainability standards of new homes. Hill is one of the UK's most sustainable housebuilders based on the NextGeneration Sustainability Benchmark, which ranks the ESG performance of the nation's largest housebuilders. The funding arrangement includes targets based on the ongoing improvement of Hill's performance against the NextGeneration benchmark.

Hill's overarching goal is to be a leader and exemplar sustainable homes and sustainable business practice. Among other initiatives, the funding arrangement will provide Hill with the opportunity to pursue further opportunities such as donating 200 fully equipped modular homes over the next five years to single homeless people as part of a £15 million pledge through its Foundation 200 programme and to ensure Hill's long-term financial strategy fully aligns with its objectives for the next decade to grow sustainably as it looks to play its part in addressing the UK's housing demands.

Helping Britain Recover
Expand the availability of affordable and quality housing

In focus

Supporting housing associations: Home Group

Home Group, a Newcastle-based social housing provider with homes in England and Scotland, is one of the UK's largest housing associations with a vision to improve the sustainability and quality of its 55,000-home portfolio, addressing the ongoing housing shortage as well as supporting its local communities.

In 2021, Lloyds Bank supported Home Group with a sustainability-linked funding. The £125 million revolving credit facility includes a range of environmental and social targets that Home Group will need to meet to secure margin discounts on its funding. These include enhancing the energy efficiency of its stock to help tackle fuel poverty and decarbonise its homes, building over 4,000, energy efficient homes in the next five years and offering at least 120 apprenticeships a year across its communities.

Home Group has set out a 30-year sustainability roadmap in support of its, and the Government's support for the UN's goal to stabilise the amount of human-induced greenhouse gases. Among other initiatives, Home Group has led a pioneering project in Gateshead looking at the most sustainable ways to construct and heat homes at scale. It is also a founding partner of the Greener Futures Partnership – set up with four other housing associations – based on the shared ambitions to lower emissions, reduce fuel poverty and improve living conditions for residents by creating sustainable, affordable, healthier and safer homes.

The rental market
The Group is aiming to improve quality in the private rented sector. To help boost the supply of high-quality homes in this market, the Group has launched Citra Living, which aims to increase new housing supply and the availability of affordable, quality homes while supporting our regional regeneration ambitions.

£3.4bn

of new funding in support of social housing

The intention is to work with leading housebuilders through strategic partnerships to identify sites and support the building of additional housing, with Citra Living buying the rental element of these new developments. As well as ensuring continued support for the housebuilding sector, this will also help to address the increase in demand for rental properties at the same time. The properties will provide modern, good-quality homes to meet the demands of a growing rental market, and they will be within easy reach of local transport, amenities and leisure facilities.

Home ownership
As the UK's largest mortgage lender, we're supporting more and more of our customers to buy their first home. We currently support one in five first-time buyers get on the housing ladder.

We recognise the importance of buying a home in customers' lives and we are making that process as simple and easy as possible, however people choose to engage with us.

£16.3bn

lent to first-time buyers in 2021

In 2021, we lent over £16.3 billion to first-time buyers, and across the last three years have lent over £43.6 billion.

Through our family of brands we offer savings tools and provide a range of deposit saving options. We also provide a range of first-time buyer and home mover mortgages as well as options for later life lending. For those aspiring to own their own home but struggling to find a deposit, intergenerational options such as our Lend a Hand mortgage from Lloyds Bank allows a family member to put down 10% of the purchase price of a home into a three-year, fixed term savings account. We also support a range of government-sponsored affordable housing initiatives, including Right to Buy, Shared Ownership and the Help to Buy: equity loan. We have signed up to support the government-led First Homes initiative, which aims to help young people and key workers get on the housing ladder. We successfully launched the Mortgage Guarantee Scheme in April 2021 for lending amounts up to £570,000.

We continue to offer the guarantee for non-new build properties and will monitor industry participation and assess whether it is suitable to extend to new build in due course.

The Group launched our **Green Living** and **Eco Home Hub** for Halifax and Lloyds customers, including an online tool that provides a tailored action plan on energy efficiency improvements that customers can make. This was complemented for Halifax customers by a £500 cashback Green Living Reward to support the cost of improvements.

In a challenging market environment, we have supported customers with payment holidays, adapting our policies to reflect customers' different incomes including accepting furlough income, and increasing the manual underwriting assessment to apply to individual customer decisions.

Accelerate the transition to a low carbon economy

Delivering our net zero ambitions across our key areas of focus, enabled by our sustainability strategic pillars 30

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Supporting the achievement of the following SDGs

Helping Britain Recover

Accelerate the transition to a low carbon economy

Delivering our net zero ambitions across our key areas of focus, enabled by our sustainability strategic pillars

Our climate strategy
At Lloyds Banking Group we believe that the transition to a low carbon economy represents an opportunity to build a resilient future, creating new businesses and jobs for the UK.

The transition will require transformation of every sector at scale. According to the UK Climate Change Committee (CCC) recommendations for the UK's Sixth Carbon Budget, there is a requirement for carbon investments in the UK to reach £50 billion annually by 2030.

We want to play our part as the UK's largest financial services provider in supporting the transition to net zero and we support the aims of the 2015 Paris Climate Agreement, the UK Government's net zero target, the Ten Point Plan for the Green Industrial Revolution and the recommendations of the TCFD.

Prioritising our activities where it matters most – net zero ambitions
To outline how best we can support the decarbonisation of the UK economy, we have prioritised our activities around net zero ambitions associated with achieving net zero in our own operations by 2030 and for the activities of those we finance by 2050, with interim ambitions set for 2030.

Net zero ambitions

Financed emissions

Bank financed emissions
Scottish Widows financed emissions

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 or sooner**[1]

Scottish Widows financed emissions: Target halving the **carbon footprint**[2] **of all of our investments by 2030 on the path to net zero by 2050**[3]

See **page 32 of our 2021 Climate Report**

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

Own operations[4]

Net zero carbon operations by 2030

Reduce total **energy consumption** by 50% by 2030

Maintain **travel carbon emissions** below 50% of pre-COVID-19 levels

See **pages 34 to 36**

4 All from a 2018/19 baseline.

Key areas of focus

At Lloyds Banking Group, we continue to progress towards our net zero ambitions across our business lines and our own operations. We have identified our priority areas of focus, which form a fundamental part of the overall approach to net zero and represent where we see the greatest challenge and opportunity to help accelerate the transition to a low carbon economy for the UK.

As signatories to the Net-Zero Banking Alliance (NZBA), which is part of the broader Glasgow Financial Alliance for Net Zero, we have committed to setting sector-based ambitions across our highest emitting sectors. In this report, we have included our sector ambitions covering Power, Thermal Coal, Oil & Gas and Retail (Motor) vehicles.

We recognise that the process for measuring and establishing these ambitions is complex. Therefore, our ambitions represent an initial set of outcomes that we will continue to monitor and assess for enhancement.

We will look to report additional sector ambitions in 2022 for parts of our remaining carbon-intensive sectors, including residential mortgages, transportation and automotive activity beyond Retail (Motor) vehicles. In addition, we will be developing further ambitions and a transition plan in accordance with the timelines stipulated by the NZBA. Our sector ambitions for our banking activities complement our Scottish Widows Climate Action Plan, which covers our approach for our Insurance business.

- **Greening the built environment**
- **Supporting the energy transition**
- **Low carbon transportation**
- **Sustainable farming and natural capital**
- **Sustainable investments and pensions**

Enabled by our sustainability **strategic pillars**

Our net zero ambitions and key associated areas of focus are underpinned by four pillars of our environmental sustainability strategy that will help us to achieve our ambitions in a manner that engages the whole of our organisation and our wider stakeholder network.

1. Identify, manage and disclose material sustainability and **climate-related risks and opportunities**

   See **pages 13 to 15 of our 2021 Climate Report**

2. **Support our customers** with responding to the opportunities and risks associated with climate change and the transition to a low carbon economy

   See **pages 16 to 23 of our 2021 Climate Report**

3. **Embed sustainability into the way we do business** and manage our own operations in a more sustainable way

   See **pages 24 to 26 of our 2021 Climate Report**

4. **Use our scale and reach** to help drive progress towards a sustainable and resilient UK economy through engagement with customers, communities, industry, government and suppliers

   See **pages 27 to 30 of our 2021 Climate Report**

Helping Britain Recover
Accelerate the transition to a low carbon economy

Reducing our financed emissions and our own operations and supply chain emissions

Reducing our **financed emissions**

Bank financed emissions

For our banking activities, as part of our work in this area we are developing a clear and strategic portfolio alignment approach across our key sectors. It is clear that the challenges facing each of our sectors vary considerably and that each sector is at varying scales of maturity in their transition journey. Our immediate focus is to work closely with our most heavy-emitting sectors to support their progressive decarbonisation. We believe that a pure divestment strategy is not in line with our purpose. We want to finance the changes needed to live and do business more sustainably, in line with a just transition.

The sectors where we have to focus the most to help ensure they can transition are agriculture, energy, housing and transportation. This has been informed by detailed sector reviews we have conducted over the past 18 months on the carbon-intensive sectors where we have lending to customers that are likely to be higher carbon emitters or be exposed to higher levels of physical or transition risks. Further information can be found in our 2021 Climate Report.

Scottish Widows financed emissions

For our Scottish Widows investments portfolio, our position as a large investor presents us with opportunities to participate in and influence the transition for the long-term benefit of our customers and society.

We are supporting investments that back climate solutions for real-world impact by incorporating climate objectives into our strategic asset allocation and increasing discretionary investment into climate-aware investment strategies. We are also using our engagement and shareholder voting power to drive companies to make the changes necessary to align with a 1.5°C pathway and excluding high carbon investments that run the risk of becoming stranded assets through our Exclusions Policy.

Reducing our **own operations** and **supply chain** emissions

Our own operations

In 2021, we announced a new set of operational climate pledges, including a commitment to achieve net zero carbon operations across Scope 1 and 2 by 2030, against a 2018/19 baseline, while at the same time halving our energy consumption and maintaining travel-related carbon emissions from business travel and commuting below 50% of a pre-COVID-19 baseline. We are also embedding our response to natural capital preservation as part of our approach to sustainable operations by protecting our operational green spaces, through restoring natural ecosystems, decreasing human intervention, and encouraging native species.

For more on our own operations and work on natural capital see **pages 34 to 38**

Our supply chain

For our suppliers, we have focused our efforts on understanding the carbon emissions generated through our sourcing activities and how we can positively influence a sustainable supply chain. We know that we cannot achieve our net zero ambitions without the support of our suppliers and in 2021 we have been developing our methodology for measuring our supply chain emissions. We are building our programme to further enhance sustainability considerations in our sourcing approach and to engage those suppliers that have the biggest impact on our carbon emissions with the aim of developing specific ambitions for reducing supply chain emissions and working collaboratively to achieve them.

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Summary of TCFD recommendations and our progress against these

We have been continually making progress against the TCFD recommendations and enhancing our climate-related financial disclosures since our 2018 Annual Report and Accounts. We comply with the FCA's Listing Rule 9.8.6R(8) and make disclosures consistent with the 2017 TCFD recommendations and recommended disclosures across all four of the TCFD pillars: Strategy; Governance; Risk Management; and Metrics and Targets.

We will continue to assess and develop our disclosures against the TCFD recommendations and recommended disclosures in 2022, taking into account relevant TCFD guidance and materials and evolving best practice.

Key areas of focus in 2022 include the following:

Strategy

- We explored the resilience of our credit portfolios under three different climate scenarios as a result of our participation in the Bank of England's Climate Biennial Exploratory Scenario (CBES), as well as undertaking other internal activity developing initial quantitative insight for key sectors. We will undertake further climate scenario analysis in 2022 that leverages learnings from the CBES exercise and access to improved data and analytical capabilities. This will allow us to better understand the resilience of the Group's business model to climate risks. In particular, the aim is to support the development of new business plans and sector ambitions to achieve the Group's net zero ambitions and examining the resilience of these to physical and transition risks.

Progress against TCFD recommendations

	Recommendation	Recommended disclosures	Reference	Summary of progress
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning where such information is material	A Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	2021 Climate Report **pages 7 to 15**	• We have prioritised our activities around net zero ambitions associated with achieving net zero in our own operations by 2030 and for the activities of those we finance by 2050, with interim ambitions set for 2030 • We have defined four sustainability strategic pillars that will help us to achieve our ambitions in a manner that engages across the whole of our organisation and also across our wider stakeholder network • We have described the key climate-related risks and opportunities identified to date and defined our short, medium and long-term time horizons • In preparing the Group's financial statements, we have considered the impact of climate-related risks on our financial position and performance • In 2021, the Group started to incorporate initial consideration of the Group's key climate risks and opportunities as part of our financial planning process • We are continuing to develop climate modelling and scenario analysis capabilities to quantify climate risk • We participated in the Bank of England's Climate Biennial Exploratory Scenario, which created a foundation capability that we are extending further as we embed climate into risk management and other processes • We have developed initial climate scenario analysis quantitative insights for key sectors
		B Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning	2021 Climate Report **pages 13 to 15**	
		C Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	2021 Climate Report **pages 66 to 70**	
Metrics & Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	A Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	2021 Climate Report **pages 32 to 46**	• We have developed several initial metrics to measure our progress against our net zero ambitions, which include measures related to our financed emissions, sustainable finance and own operations • We have provided details of our Scope 1, 2 and 3 emissions for our own operations, calculated an initial 2019 financed emissions baseline for Scottish Widows and provided both an updated 2018 financed emissions baseline and 2019 financed emissions for our banking activity • We have specific sector ambitions for our banking activity related to power[1], oil & gas, thermal coal[1] and UK motor, and Scottish Widows has developed its first Climate Action Plan (published February 2022) • We have introduced new 2024 sustainable finance strategic outcomes across the Group[2] • More than £6.9 billion of green and ESG related finance[3] was delivered in 2021 • We also estimate that through Scottish Widows we will make discretionary investment of £20-25 billion into climate-aware investment strategies by 2025, with at least £1 billion invested in climate solutions investments • We developed three new operational climate pledges in 2021 that are designed to accelerate our plan to achieve net zero carbon operations and we continue to measure progress against those and our wider environmental ambitions for our own operations
		B Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	2021 Climate Report **pages 35 to 40, 45 to 46**	
		C Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	2021 Climate Report **pages 32 to 34, 41 to 46**	

1 Our power sector ambition was set prior to us joining the NZBA and will be updated in 2022 to align with NZBA guidance. Our thermal coal ambition is a commitment to exit all entities that operate thermal coal facilities by 2030 (see 2021 Climate Report, page 32) and will currently be tracked through lending exposure to the sector as opposed to annual emissions estimates.
2 See page 41 of our 2021 Climate Report for more detail on our 2024 sustainable finance strategic outcomes.
3 Includes Clean Growth Finance Initiative, Commercial Real Estate Green Lending, Renewable Energy Financing, Sustainability Linked Loans and Green/ESG/Social Bond facilitation.

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Metrics and targets

- We have developed metrics to assess climate-related risks and opportunities that include current and projected financed emissions, emissions intensity, sustainable finance and sectors with increased climate risk (exposure, limit, maturity). We have evolved our Group Balanced Scorecard so that it now includes two ESG measures that are aligned to climate change to reflect our net zero ambitions. The additional climate scenario analysis we will conduct in 2022 will lead to enhancements to the physical and transition risk assessment of our high carbon sectors and clients within these that will allow for improved management information and reporting to the Board as well as NZBA sector target setting.
- We have disclosed our Scope 1, 2 and 3 emissions for our own operations, along with our initial Scope 3 financed emissions for most of our banking and Scottish Widows activity. Our future focus will be on disclosing our Scope 3 supply chain emissions and extending the coverage of Scope 3 financed emissions by including additional asset classes where data and methodologies exist and engaging across the industry on calculation approaches for asset classes where methods do not exist.
- We have developed ambitions to achieve net zero for our own operations by 2030 and for the activities of those we finance by 2050, with interim ambitions set for 2030. We have also developed 2030 ambitions for our operational energy, water and waste and an initial set of our highest emitting sectors. We are on track to disclose further ambitions for high emitting sectors in line with our NZBA commitments, along with a net zero transition plan that further communicates our decarbonisation strategy.

Progress against TCFD recommendations

	Recommendation	Recommended disclosures	Reference	Summary of progress
Governance	Disclose the organisation's governance around climate-related risks and opportunities	A Describe the board's oversight of climate-related risks and opportunities	2021 Climate Report **pages 48 to 49**	• Our governance structure provides clear oversight and ownership of the Group's environmental sustainability strategy and management of climate risk at Board and Executive levels • The Board is engaged on a regular basis on our sustainability agenda and in 2021 received training to continue to develop understanding of climate risk • In 2021, we established the Group Net Zero Committee to provide Executive direction and oversight of the Group environmental sustainability strategy • Key committee decisions include approval of our sector ambitions and external sector statements
		B Describe management's role in assessing and managing climate-related risks and opportunities	2021 Climate Report **pages 50 to 51**	
Risk Management	Disclose how the organisation identifies, assesses, and manages climate-related risks	A Describe the organisation's process for identifying and assessing climate-related risks	2021 Climate Report **pages 54 to 55**	• We have continued to embed climate risk into our activities and Enterprise Risk Management Framework, through consideration of climate risk as its own principal risk, and integration into other principal risks materially impacted • In 2021, we introduced the Group Climate Risk Policy to provide an overarching framework for the management of climate risks and opportunities across the Group • We have undertaken detailed analysis of our portfolios and the pathways required to reduce emissions, including deep dives into sectors at increased risk from impacts of climate change • Ongoing development of climate risk assessment tools and methodologies, including our qualitative climate risk assessment tool in Commercial Banking
		B Describe the organisation's process for managing climate-related risks	2021 Climate Report **pages 56 to 64**	
		C Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	2021 Climate Report **page 53**	

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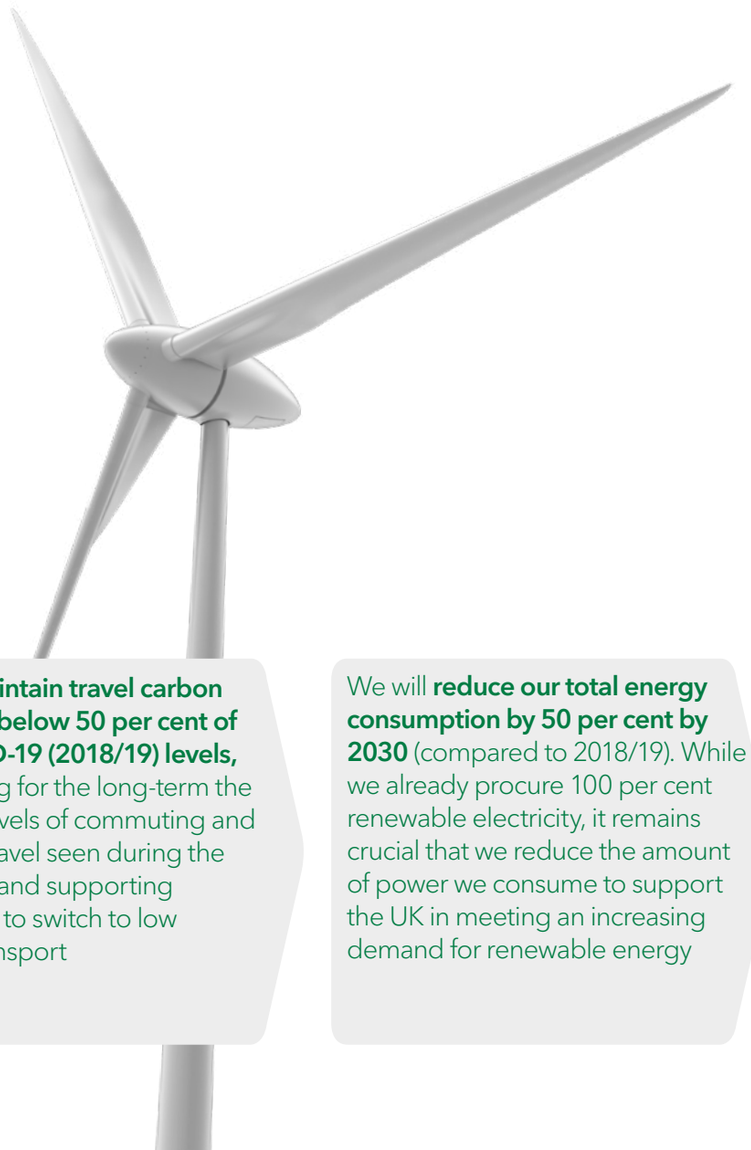
Environmental impact of own operations

Our own environmental footprint

Since 2020, we have been tracking against three operational climate pledges, which were announced early in 2021. They are designed to accelerate our plan to tackle climate change and apply across our own operations.



Net zero and operational climate pledges

We will achieve **net zero carbon operations by 2030.** We plan to reduce our direct emissions (known as Scope 1 and 2 emissions) by at least 75 per cent (compared to 2018/19 levels)

We will **maintain travel carbon emissions below 50 per cent of pre-COVID-19 (2018/19) levels,** embedding for the long-term the reduced levels of commuting and business travel seen during the pandemic and supporting colleagues to switch to low carbon transport

We will **reduce our total energy consumption by 50 per cent by 2030** (compared to 2018/19). While we already procure 100 per cent renewable electricity, it remains crucial that we reduce the amount of power we consume to support the UK in meeting an increasing demand for renewable energy

Achieving these goals will not be easy, and we will need to invest in our buildings over the next decade, supporting the UK in the transition towards a greener future. We will continue to deploy energy efficient technology including LED lighting and improved building controls. We will remove all use of natural gas from our estate, replacing gas boilers with low carbon heating technologies and create more sustainable branches in communities across the UK. Many of the technologies we will need to use are still new and we will work closely with our partners and supply chain to innovate.

We proudly remained Carbon Trust Standard certification holders for carbon reduction for the twelfth year in a row. We are also members of the UK Green Buildings Council and have recently renewed our commitment to the World Green Building Council Net Zero Carbon Buildings Commitment. This includes the new embodied carbon reduction requirement for new builds and major refurbishments by 2030. This renewed commitment, along with those we've already made by joining The Climate Group's campaigns on renewable electricity (RE100), energy productivity (EP100) and electric vehicles (EV100), underpins our new climate pledges.

We also achieved certification to the Carbon Trust Standard for Waste for the first time in 2021. The standard recognises organisations that follow best practice in measuring, managing, and reducing their waste impact.

Further operational sustainability and environmental ambitions

We have broader environmental ambitions for our own operations, which focus on reducing waste and improving water efficiency. We aim to:

Reduce our operational waste by

80%

by 2025, from a 2014/15 baseline

Reduce water consumption by

40%

by 2030, from a 2009 baseline

Further information on operational carbon and sustainability performance can be located in our 2021 Climate Report; **see pages 24, 25 and 42 - 46.**

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In focus

Net zero carbon operations: Oxford Street branch

In 2021 we refurbished our Lloyds Bank Oxford Street, London branch to make it net zero carbon operations. We integrated sustainability at the design stage of the project, and created an immersive sustainability experience for both our customers and colleagues.

For this refurbishment project thermal modelling was undertaken to optimise the heating and cooling energy demand, and an efficient heat pump system, with heat recovery, was installed. As a result, the embedded carbon content of the refrigerant gas in the heating and cooling system has reduced by 33 tonnes, energy efficiency has improved, and the reliance on natural gas has been completely removed.

Additionally, the lighting throughout the branch has been fully upgraded to LED, resulting in expected savings of around 10,000 kWh per year – equivalent to the electricity required to power three average UK homes.

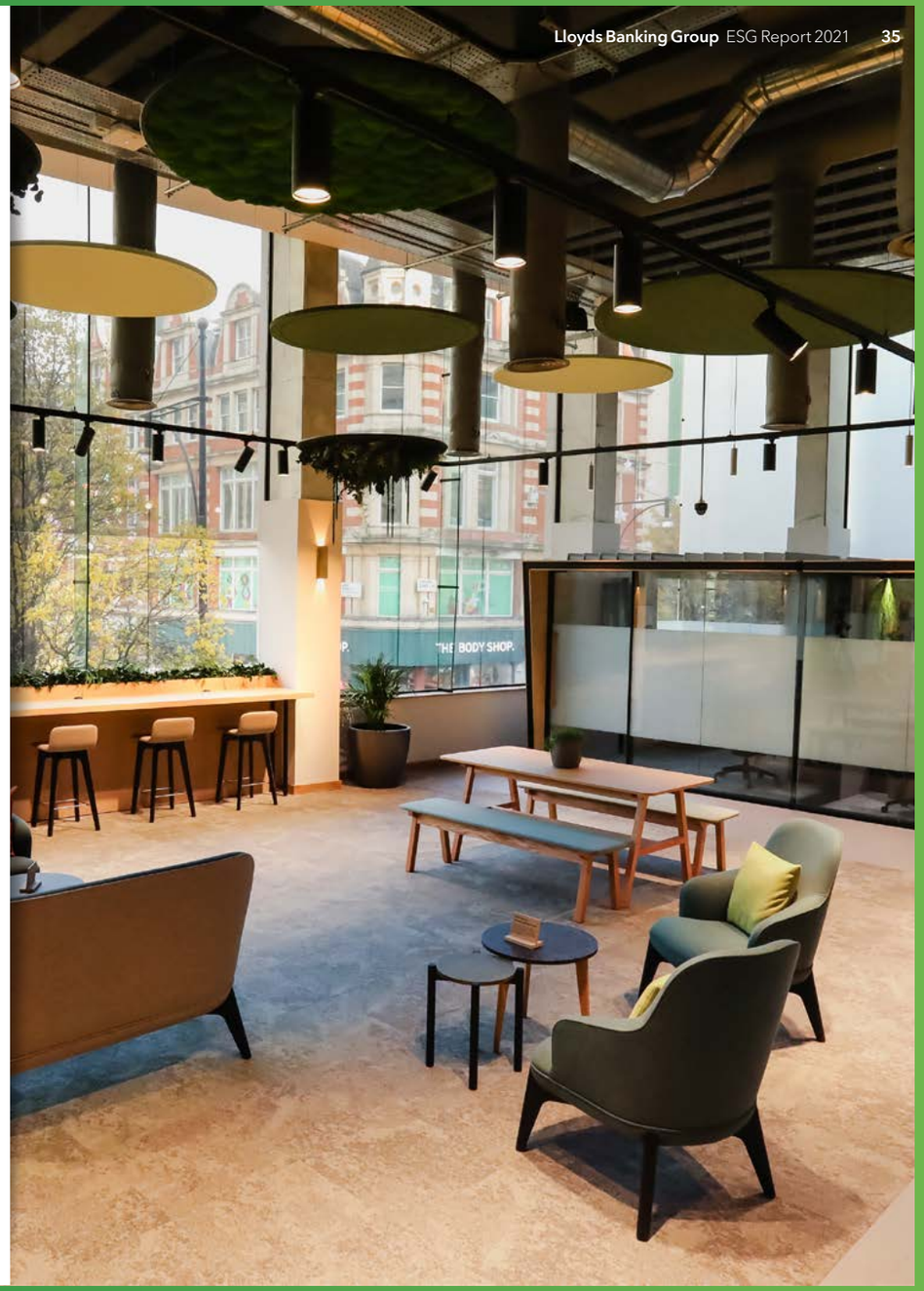
These alterations saw the Energy Performance Certificate (EPC) rating for this branch improve from a D to a B, and helped us move a step closer to achieving our 2030 Net Zero Carbon Operations pledge.

A new Building Management System (BMS) has been installed to ensure that energy performance can be closely monitored and maintained over time.

The refurbishment wasn't only focused on energy and carbon. We also fitted ultra-low flush toilets, which use around 80 per cent less water than the previous toilets. Forest Stewardship Council (FSC) certified wood was used for joinery items, and we partnered with external companies passionate about sustainability to provide furniture made from recycled materials wherever possible. These include items such as worktops, coffee tables and chairs made from recycled plastics and textile waste.

These measures not only align to our operational climate pledges, they also create an opportunity to engage with our customers and demonstrate our commitment to a greener future. Oxford Street in London is the busiest high street in Europe, and our branch extends nearly 1,000 sqm, therefore creating a vast reach to connect and engage.

Sustainability information is presented around the branch through interactive videos, static and rotating posters, along with internal and external living walls, creating an immersive experience for our visitors. Additionally, it allows our colleagues, who have undergone specialist sustainability training, to engage in conversations with our customers on Lloyds Banking Group's path towards a greener future and showcase our sustainability-focused products, such as our Greener Home proposition.



Helping Britain Recover
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In focus

Main Edinburgh office

Lloyds Banking Group recognises that taking action to restore nature and protect biodiversity is crucial in helping to address the twin crises of climate change and biodiversity loss.

To tackle this, we've been transforming our approach to green spaces across our estate. For example, our main Edinburgh office in the city centre, known as 'The Mound', is surrounded by green spaces and also houses our free 'Museum on the Mound' which welcomed 18,560 visitors in 2021.

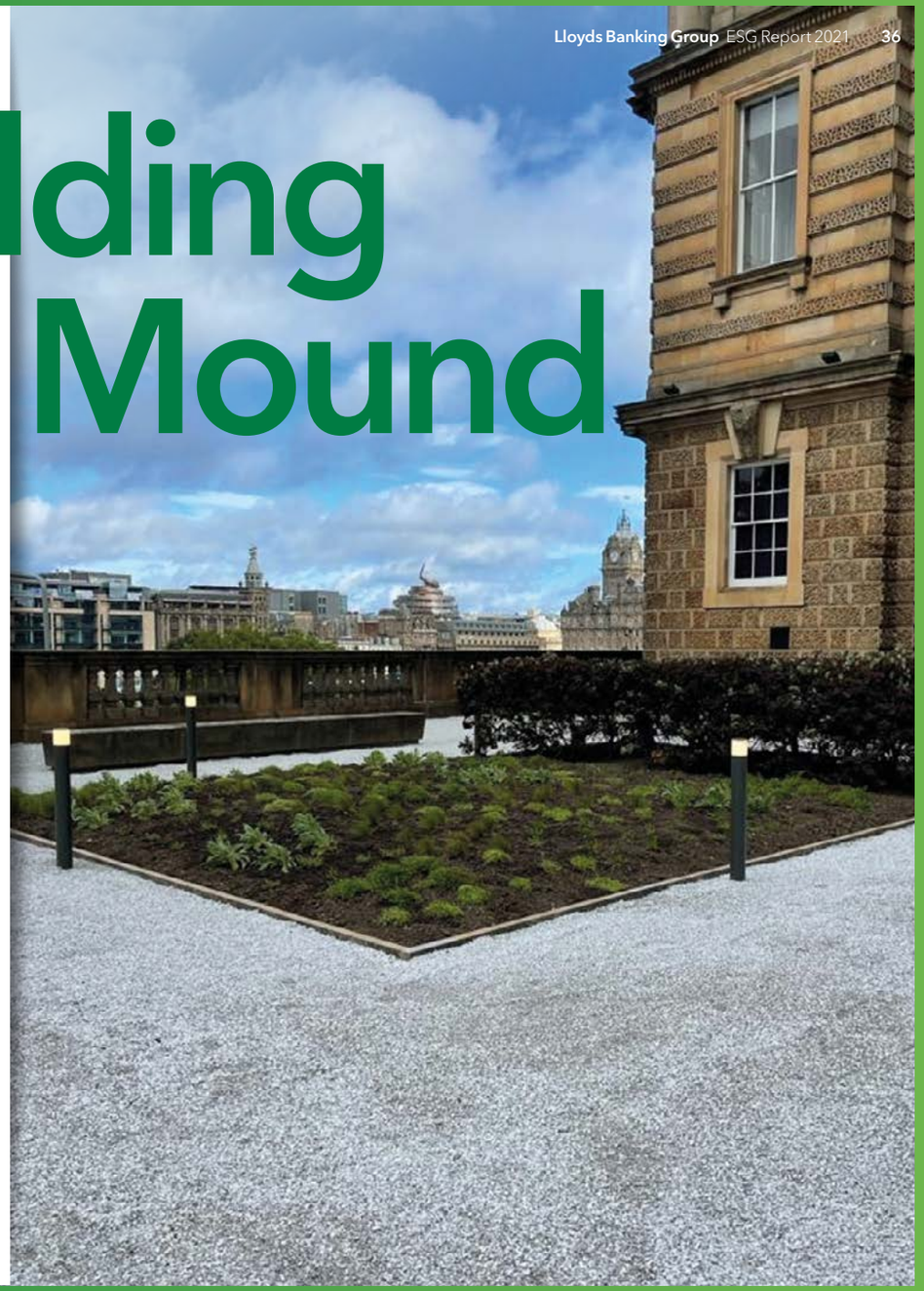
We approached the Scottish Wildlife Trust for help in developing a site-specific habitat creation and management plan to enhance biodiversity.

Working with them, we learned through the Edinburgh Nature Network that The Mound is a very important location for creating stepping stone habitats for species to travel around the city, including pollinators and rare species such as the northern brown argus butterfly, as well as more common species such as bats, foxes and badgers.

The Nature Network, developed by the Scottish Wildlife Trust in collaboration with over 40 multidisciplinary organisations, provides a strategic approach to prioritise actions to tackle the threats of climate change and biodiversity loss in the city. It also highlights opportunities for nature-based solutions, habitat network development and environmental enhancements that will provide multiple benefits for both people and wildlife.

In Edinburgh, the northern brown argus is only found in Holyrood Park; however, there is a perfect habitat at the nearby Calton Hill. Unfortunately, this butterfly cannot reach Calton Hill as the distance is too far with no suitable habitat to bridge the gap. As The Mound is at the centre of several larger sites designated for natural heritage, such as Calton Hill, Holyrood Park and Princes Street Gardens, it is in a prime location to put the Nature Network into action and create stepping stone habitats to help the northern brown argus reach Calton Hill.

Rewilding The Mound



The Scottish Wildlife Trust designed a meadow with a mix of plants to create a habitat and provide a food resource for the northern brown argus, and other locally rare invertebrates such as the stonecrop fanner, a nationally scarce moth.

Lighting is managed to avoid interfering with moths and butterflies feeding in the garden, and we consulted with Butterfly Conservation Scotland and Historic Environment Scotland to ensure the correct mix of plants was chosen for the site.

This work demonstrates how corporations like Lloyds Banking Group, local authorities, and environmental NGOs can work together towards a positive outcome for nature. We hope that The Mound will be the first of many stepping stone habitats throughout the city and that residents in Edinburgh can also play their part to help us connect northern brown argus habitats from Holyrood to Calton Hill and beyond. The stepping stone habitats can be as small as windowsill planters with nectar-rich flowering plants, meaning that everyone can play a small part to help connect habitats across built-up areas in the city, naturalising the spaces and contributing to nature's recovery.

Helping Britain Recover Accelerate the transition to a low carbon economy

Natural capital

Importance of natural capital to Lloyds Banking Group

At Lloyds Banking Group we recognise that biodiversity, and the variation and interaction among all life on earth, is under threat. This is a significant issue in the UK and globally and is identified as one of the top risks to society by the *World Economic Forum Risk Review*[1]. As the 2021 *Dasgupta Review*[2] highlighted, the concept of natural capital needs to become embedded into economic decision-making. Currently, the true value of natural capital stocks and the ecosystem services they provide are rarely reflected in organisations' decision-making processes; similarly, we often bear little to no cost for the impacts we have on natural capital.

This lack of recognition of the importance of healthy natural ecosystems is the fundamental problem that is driving the biodiversity crisis we are witnessing today – and is a fundamental driver of the climate crisis. If we do not act in order to reverse the current nature and biodiversity crisis, the world could experience rapid and, in many cases, irreversible nature-related risks that could impact us from an environmental, economic and societal perspective.

We also recognise the important role that financial services in particular can play in helping to preserve natural ecosystems, minimise nature-related risks, and channel capital towards protection and restoration of natural capital stocks.

In response, Lloyds Banking Group is developing an approach to natural capital as part of our wider sustainability strategy. As nature and climate are intrinsically linked, we believe in an integrated and holistic approach to managing environmental risks and opportunities, that includes both climate and nature-related activities. As an initial phase of our work, we plan to complete a natural capital assessment across our loan book to help us identify our key dependencies and impacts on nature, across the sectors we finance. This will then enable us to assess where nature-related physical and transition risks could manifest across our financing activities. Once we have a clear understanding of our current state we will look to engage in the development of our sector-specific nature strategies.

Impacts and dependencies leading to risk

We recognise that we need to understand the natural capital impacts and dependencies of the sectors we finance because these translate into financial risks that should be managed and mitigated. Similar to climate change, nature-related risks can be classified as either physical or transition risks. For example, assessing our dependencies on ecosystem services across the sectors we finance will give us a view of the potential physical risks that may impact our clients. Likewise, identifying the negative impacts our sectors may have on natural capital stocks will indicate transition risks that could occur.

Key concepts

Natural capital

The world's stock of natural assets (e.g. plants, animals, air, water, soils, minerals)[3]

Biodiversity

The biological variety and variability among living organisms from all sources including terrestrial, and other aquatic ecosystems and the ecological complexes[4] of which they are part

Ecosystem services

The benefits to people provided by ecosystems, such as pollination, water regulation, climate regulation, pest control, and others[5]

Our work to date

Our financing activities

At Lloyds Banking Group we recognise the interconnectedness of climate and nature and the imperative of protecting the resilience of natural stocks. Our ambition is to support our clients to navigate their impacts and dependencies on nature, to help build their resilience and have a positive impact on our wider economy. We will continue to expand our work programme on natural capital throughout 2022. For an example of how we are supporting clients, please see our Grange Farm case study overleaf.

In addition, we have external sector statements in place to guard against certain activities that are known to accelerate degradation of the environment. In 2021, we updated our external sector statements to cover palm oil and soya, which outline our expectations for sustainable production and zero deforestation achieved by 2030 at the latest. As part of our work to protect and preserve nature and biodiversity, we will continue to review – and where appropriate to update – our sector statements through a natural capital lens.

Our investment activities

It is imperative that we understand the risks that companies in our portfolio face due to the impacts of biodiversity loss and natural capital depletion, but also the role these companies play in creating both positive and negative impacts on nature. Weakening of biodiversity could have large economic and social implications and, what is more, nature has a key role to play in helping the world achieve net zero. Oceans and forests are effective natural carbon collectors, providing over a third of the carbon removal needed for the world to hit 2030 emission reduction targets.

We are acutely aware that more action needs to be taken to protect our natural capital. This is why Scottish Widows is committing to invest at least £1 billion in climate solutions and a further £20–25 billion in climate-aware strategies, with biodiversity and natural capital being key components of both goals.

We are also planning to use our stewardship reach to work with our partner asset managers and engage with companies in our portfolio, and as such we look forward to Nature Action 100 being set up so that we can add our voice to the voices of many other investors calling for the protection, preservation and restoration of the natural world that we are all an inalienable part of.

Our own operations

The green spaces across our operational estate are relatively small; however, we aim to make a big difference by managing our large number of small spaces differently. Through restoration of natural ecosystems, decreasing human intervention, encouraging native species and inspiring our colleagues, we can help to restore and protect these green spaces.

In 2020, we worked with The Wildlife Trusts at three test sites to support the re-establishment of resilient UK wildlife habitats to benefit diverse local flora and fauna by adopting a more sustainable approach to the management of our property estate.

Following the trial, with the support of our facilities partner, Mitie, we selected a further nine sites with green spaces to rewild throughout 2021 by transforming our approach to land management. We implemented restoration and biodiversity-enhancing solutions, changed mowing approaches, undertook pond restoration, and introduced wildflower meadows, pollinator-friendly planting and natural log pile bug hotels.

Learnings from working with The Wildlife Trusts have enabled us to evolve our approach to land management, incorporating biodiversity-enhancing and wildlife-friendly measures into all aspects of our landscaping and grounds maintenance programmes. Minimising machinery usage resulted in fossil fuel savings; mowing and pruning regime changes helped provide additional habitat for wildlife; and reduced chemical usage created healthier ecosystems.

1 WEF – The Global Risks Report 2021, 16th Edition.
2 Dasgupta, P. 2021. *The Economics of Biodiversity: The Dasgupta Review.*
3 The Convention on Biological Diversity.
4 Intergovernmental Science Policy Platform on Biodiversity and Ecosystem Services (IPBES).
5 Millennium Ecosystem Assessment.

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Natural capital: our work to date

This approach has resulted in tangible benefits for nature, including establishing thriving natural habitats supporting native species and attracting a wide array of local wildlife.

Interpretive signage is also being developed for each site to engage colleagues in our biodiversity project, aimed at creating a positive ripple effect by educating and inspiring them to implement their own biodiversity-enhancing measures in their homes and community gardens.

Driving reforestation across the UK

We support the UK Government's objectives to increase tree planting and forest conservation efforts across the UK and are committed to playing our part in this. However, we also recognise the need to work with nature and biodiversity experts to ensure that tree planting is carried out in a responsible way that is compatible with local ecosystems and does not adversely impact native species of plants and animals.

We entered a ground-breaking partnership with the Woodland Trust to plant 10 million native trees in the UK by the end of the decade as part of our commitment to finance a greener future and support the transition to a low carbon economy. These trees have the potential to absorb 2.5 million tonnes of carbon dioxide in their lifetime, adding to the UK's carbon store. We are also helping fund farmers' transition to a low carbon future and getting colleagues involved in tree planting, volunteering and environmental education. Key highlights of the Woodland Trust partnership include:

- 2 million trees have been planted across the UK since the start of the partnership in communities, in our new 'woods within woods' and in partnership with the agricultural community
- 10 brand new 'woods within woods' will be planted at existing Woodland Trust sites across the UK, with planting underway in Leicestershire, East Lothian and Northern Ireland
- 500,000 trees were planted through the Woodland Trust's Free Tree scheme for schools and community groups by the end of 2021
- We are helping farmers and land-owners transition to a low carbon future by offering expert support and preferential funding at a 75 per cent subsidy for more than 0.5 hectares of new woodland through the Woodland Trust's MOREwoods and MOREhedges schemes
- This planting season, 45,000–50,000 trees have been planted by over 1,200 colleagues as they support 60 tree planting events in communities all across the UK
- Colleagues are volunteering to support citizen science projects run by the Woodland Trust and developing their understanding of the importance of woodland

In focus: Grange Farm

Grange Farm: Balancing productivity and sustainability

Second-generation farmer Andrew Pitts aims to combine modern agricultural methods and biodiversity protection to support both profitability and sustainability at 2,000-acre Grange Farm in Northamptonshire.

The farm is primarily devoted to crop production, including field beans, field peas, winter wheat and spring barley, and over the past 15 years Andrew and his brother William have moved to a conventional, non-inversion crop establishment system with a view to improving soil health and reducing costs.

Healthy soil structure

"We stopped ploughing the land in 2006," says Andrew. **"Initially we invested in a Challenger and a cultivator, but over time we stopped working the soil so deep and started direct drilling. We've seen huge improvements in our soil structure, which is crucial.**

"With better structured soil, better earthworm channels, more organic matter and the right sort of flora and fauna in place, land becomes more resilient to drought and excess rain or heat. It allows you to have a greater resilience in production. You also require fewer inputs to grow crops, so they automatically become more profitable."

Environmental benefits

Andrew has also focused on yield mapping to help identify poorer performing areas which can be put to better use.

"Anything that won't make a clear profit doesn't get planted as a cash crop," says Andrew. **"We plant something that has an environmental benefit, for example flower strips or crops that make great habitats and encourage biodiversity. Taking this approach has helped us to significantly reduce our carbon footprint."**

Embracing change

"**If you can put together very best practice crop production or livestock production with very best practice environmental production, you can have a very profitable business which is a joy to walk around, to see flocks of wild birds in, or wildflowers in the spring,"** says Andrew. **"You must be open to change and new ways of working, but that doesn't mean change has to happen instantly. Focus on changes that allow you to evolve slowly, while maintaining your cash flow, and really think through any big changes – we experimented with six direct drills before we invested in our own."**

Working with Lloyds Bank

"**We've been with Lloyds Bank for the whole of my farming career, and my father's before that,"** says Andrew. **"We have a strong relationship and they've always been supportive of us and made financing the investments we want to make in the farm a straightforward process. Six years ago we had the chance to grow by 40 per cent in one year and our long-term record and positive relationship enabled a swift increase in working capital requirements to be delivered seamlessly. Without it we would have missed the opportunity."**

Working across the industry to drive progress

Collaboration between the financial sector, policymakers, NGOs and corporations will be key to addressing the biodiversity crisis. We have joined a number of initiatives to this end:

- Taskforce for on Nature-related Financial Disclosures (TNFD) Forum – we are members of the TNFD Forum and will look to participate in consultations as the framework for organisations to report and act on evolving nature-related risk is developed
- Banking Environment Initiative Financial Risks arising from biodiversity loss – in conjunction with peer banks and investors we have helped develop the Handbook for Nature-related Financial Risks that supports financial institutions to identify the specific nature-related financial risks they are facing
- United for Wildlife Financial Taskforce – in 2020 we became a member of the Taskforce. Founded by Prince William and The Royal Foundation, United for Wildlife aims to make it impossible for traffickers to transport, finance or profit from illegal wildlife products. By working collaboratively through their Taskforces, United for Wildlife is disrupting this criminal network globally
- We are supporters of the UK Government's Get Nature Positive campaign – this demonstrates our focus on protecting and restoring nature and support of the UK's commitment to halt and reverse the decline of nature by 2030

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In focus

How MOREwoods and MOREhedges schemes benefit farms, wildlife and the environment

Robert Moore farms 356 hectares (880 acres) of land in North Lincolnshire. In the 1960s, all the hedgerows were removed from the land by a previous owner, leaving the farm with 13 large fields. Robert is committed to leaving the farm in a better state for the environment and wildlife than it is currently in, and to do this he has embraced sustainability within his approach to farming. This includes the use of solar panels to generate electricity, a water treatment system which has reduced water usage by 80 per cent in the processing plant used, and recycling farm plastics collected from around the country.

The next step for Robert to consider was how he could enhance the immediate environment and encourage more wildlife onto the farm. The answer was to incorporate some native woodland and to reinstate hedgerows on the farm. In addition to attracting more wildlife and improving the visual impact of the land, planting trees will importantly capture carbon and make use of less profitable areas of the farm, along with 80 hectares of grass.

Through a neighbour, Robert heard about the Woodland Trust's MOREwoods and MOREhedges schemes. These schemes provide generous funding for farmers who are looking to plant over 0.5 hectares of woodland and/or over 100 metres of new hedging.

An expert adviser from the Woodland Trust worked with Robert to design a planting scheme to meet Robert's objectives. They planned for hedgerows to be located specifically to create runways for wildlife; for example, a hedgerow running directly between the new woodland and a reservoir to create connectivity. They decided that woodland would be planted in an area that was poor for farming. To ensure that the woodland doesn't shade out the areas of productive land, it has been planted next to a dyke. This will also provide shade to the dyke when the trees are established. The dyke is already visited by kingfishers and the hope is that more wildlife will arrive with the improved habitat.

The woodland is 100 metres wide by 500–600 metres long. This substantial area, split into three segments, has been designed with a track through it to ensure it can be easily accessed and enjoyed. The natural planting design of wavy lines through woodland makes it a very pleasant place to spend time.

Robert's five hectares of woodland and one kilometre of hedging were planted in early 2021 to join the two kilometres of hedging he had planted the previous year. The Woodland Trust provided expert advice and generous funding. Robert says that working with the Woodland Trust was very easy from start to finish: "…and they even managed the Environmental Impact Assessment (EIA) process which was required due to the size of area being planted".

Supporting wildlife

For anyone planting more than 0.5 hectares of woodland and/or 100 metres of hedging, the Woodland Trust's MOREwoods and MOREhedges schemes are ideal. The schemes have already created almost 3,000 hectares (7,200 acres) of woodland and 320 kilometres of hedgerow across the UK, including Robert's project in Lincolnshire.

No-obligation support and advice is available for eligible schemes, even if you decide not to plant trees. The Woodland Trust can provide generous funding and, in some cases, help with planting. All the saplings supplied are sourced and grown in the UK.

ESG due diligence in lending

Within our risk appetite, we aim to support and benefit from ESG investment opportunities, offering customers sustainable investment choices, and challenging companies that we invest in to behave more sustainably and responsibly.

Lloyds Banking Group expects all of our customers to comply with applicable international conventions, sanctions and embargoes, legislation and licensing requirements while showing a clear commitment to robust ESG and risk management.

Sector statements

The Group recognises our responsibility to help address the economic, social and environmental challenges that the UK faces and remains fully committed to Helping Britain Prosper and supporting environmental sustainability. As a result, Lloyds Banking Group has identified selected sectors and defined specific risk appetites related to our financing activities within sectors that have the potential to negatively impact the environment and society, creating the need for the Group to have clear guidance in terms of risk appetite for selected activities. The sector statements set out our approach and appetite to lending in relation to high-risk sectors, whether this risk derives directly from climate or from reputational risk. The Group has 12 external sector statements that apply to the Group's activities which reflect the approach we take to the risk assessment of our customers. These sector statements outline what types of activities we will and will not support. Lloyds Banking Group's external sector statements are publicly available on the Group **Responsible Business Download Centre.** Further information on the climate-related aspects of these sector statements can be found in our 2021 Climate Report.

Sectors covered in our sector statements:

- Coal
- Oil & gas
- Power
- Mining
- Forestry
- Defence
- Manufacturing
- Automotive
- Agriculture
- Animal welfare
- Fisheries
- UNESCO World Heritage Sites

Reputational risks

To further ensure that climate-related risks are assessed and understood, the Group's Reputational Risk Policy was launched in January 2021. It defines a formal process for identifying and monitoring reputational risk in Commercial Banking. This includes any potential climate and environmental risks such as trade in goods with heightened environmental risks and can also assess historic environmental incidents appertaining to the clients we fund. Where reputational risks are identified, the policy outlines the governance requirements to understand the nature and magnitude of these risks including alignment to risk appetite and climate risk strategy.

Counterparty level risk assessment

Identification of counterparty-level climate risk is essential, and we have continued to enhance our internal climate risk assessment methodologies and tools in Commercial Banking, to assess the physical and transition risks relevant to our clients. We have developed and launched a bespoke, qualitative climate risk assessment tool with a focus on transition risks and readiness into our large corporate portfolio and work is underway to determine the approach for the remaining portfolio. This will be completed at least annually as part our regular client engagements and will facilitate an in-depth discussion with the client to enable us to:

1. Gain a detailed understanding of the climate-related risks and opportunities related to their business / sector they operate including where the client is on their transition journey
2. Assess the scope and feasibility of their transition plan
3. Discuss/mitigate any risks identified
4. Support the client with potential propositions to support their transition
5. Develop internal management information to monitor the transition risk within the Commercial Banking portfolio and to enable any mitigating action to be taken

The outputs of the climate risk assessment tool are overlaid with quantitative sector level emissions and transition risk data to produce a score reflective of the client's climate impacts and exposure to climate risks. We have continued to embed climate risk assessment into our credit risk management framework to ensure that climate-related risks are considered for all Commercial Banking customers that bank with us, with specific commentary in new and renewal credit applications where total limits exceed £500,000 (excluding automated renewal processes).

The novel data from these assessments will allow us to develop a view of our portfolio by differing levels of climate risk, enhancing our understanding of the challenges being faced by our clients and identifying areas for further due diligence. So far, we have completed these assessments with over 1,500 of our clients, and built an understanding of the risk profile and outlook of our portfolio, while embedding Climate Risk into our mainstream Credit Risk management process. We will continue to develop the tool with the goal to widen to the scope and enhance the methodology as data improves.

Further information on what is considered in this assessment and the outputs can be found in our 2021 Climate Report.

Helping Britain Recover Accelerate the transition to a low carbon economy

Equator Principles: transactions screened by Lloyds Banking Group
Transactions approved

The Equator Principles
Lloyds Banking Group is a signatory to the Equator Principles 4, which is a risk management framework for determining, assessing and managing environmental and social risk in Project Finance transactions, such as large scale energy, industrial or infrastructure projects. It ensures that where we provide finance or advice for such deals, it is executed in a responsible manner, and reflects the importance of environmental impacts, ecology, climate change, local communities, and ethical and moral factors. Where any such impacts are unavoidable, they must be appropriately mitigated or offset.

We have a robust approach to the review and reporting of Equator Principle transactions, due to our internal referral and risk assessment process. This includes detailed Environmental Due Diligence and Technical Advisor reports being a key requirement in our analysis of Project Finance transactions, alongside engagement with environmental consultants, enabling us to make responsible business risk decisions.

Project finance advisory services

Advisory by industry sector	
Mining	0
Infrastructure	0
Oil & gas	0
Power	0
Other	0

Advisory by region	
Americas	0
Europe, Middle East & Africa	0
Asia Pacific/Oceania	0

Numbers reflect in-scope transactions completed in the year that reached financial close by 31/12/21.

Project finance

Loans by category[1]	
Category A	0
Category B	3
Category C	0

Loans by region	
Americas	1
Europe, Middle East & Africa	2
Asia Pacific/Oceania	0

Loans by industry sector	
Mining	0
Infrastructure	0
Oil & gas	0
Power	3
Other	0

Loans by country designation	
Designated country	3
Non-designated country	0
Category A, B and C loans with an independent review	3

Project-related corporate loans

Loans by category[1]	
Category A	0
Category B	1
Category C	0

Loans by region	
Americas	0
Europe, Middle East & Africa	1
Asia Pacific/Oceania	0

Loans by industry sector	
Mining	0
Infrastructure	0
Oil & gas	0
Power	1
Other	0

Loans by country designation	
Designated country	1
Non-designated country	0
Category A, B and C loans with an independent review	1

Project-related refinance and project-related acquisition finance

Loans by region	
Americas	0
Europe, Middle East & Africa	0
Asia Pacific/Oceania	0

Loans by industry sector	
Mining	0
Infrastructure	0
Oil & gas	0
Power	0
Other	0

Loans by country designation	
Designated country	0
Non-designated country	0

1. Category A: Projects with potentially significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.
Category B: Projects with potentially limited adverse social and environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.
Category C: Projects with minimal or no social or environmental impacts.

Scottish Widows Responsible investment and stewardship

Scottish Widows was set up in 1815 to take care of women and children who had lost their fathers, brothers and husbands in the Napoleonic Wars, taking its name after the people it was founded to look after. Now more than 200 years on, we look after almost six million customers across the UK. Today our commitment is still the same – to help people plan for their financial futures.

That purpose is more important than ever in a world where COVID-19 has dramatically altered our ways of living and working and the consequences of climate change are already having a profound impact on our environment.

Scottish Widows looks after the retirement savings of millions of hard-working people and our role is to help them plan for their long-term financial prosperity. To do this, it's important we continue to use our scale and influence, along with our fund manager relationships, to challenge the companies we invest in on our customers' behalf to be the sustainable businesses of the future.

Additional links:

- 2021 Climate Report
- Scottish Widows 2021 TCFD Report (March 2022)
- Lloyds Banking Group Sector Statements
- Scottish Widows Responsible Investment Framework
- Scottish Widows Stewardship Policy
- Scottish Widows Exclusions Policy
- Scottish Widows Principles of Responsible Investment Report
- Scottish Widows Climate Action Plan

We aim to address material financial risks and opportunities linked to ESG factors in the investments we make, and this is the foundation of our Responsible Investment Framework.

Our Responsible Investment Framework and supporting policies apply across our entire investment book and our Responsible Investment team is working with government, regulators and the pensions industry to unlock opportunities to invest in the infrastructure required to successfully transition to a low carbon economy, like renewable energy facilities.

Executive oversight is provided by the Insurance Responsible Business Executive Committee, which is a sub-committee of the Insurance and Wealth Executive Committee. This committee, with strong Board support, plays a pivotal role in setting Scottish Widows' sustainability agenda and provides strategic direction to our responsible investment activity. We have externally published Lloyds Banking Group sector statements across a range of sectors which our new direct lending transactions need to meet, and our mandated asset managers are required to follow the Scottish Widows Stewardship Policy and Exclusions Policy.

These statements and policies are consistent with the overall Group ambition, which is to align lending and investments with a just transition to a sustainable and low carbon economy, thus reducing our exposure to ESG and climate-related risks and maximising the value of investments in the long term.

As an asset owner, we work with the largest of our investee companies to engender positive change and enhance their approach to ESG issues.

Responsible stewardship

Stewardship is the management of our investments to create sustainable benefits in the long term for our clients, savers, the economy, the environment and society. It includes challenging the companies we invest in to behave more sustainably and responsibly. We hold shares on behalf of customers who invest with us which means we are a significant shareholder in many of the world's companies. As a result, we are the stewards of these investments and have a responsibility to manage and protect them in the best way possible.

We have been a longstanding signatory of the UN Principles for Responsible Investment and are committed to being responsible stewards of the assets we oversee on our customers' behalf. When we have a significant investment in a company and have concerns that its business practices are not aligned with the long-term interests of our customers, we'll always engage with them first. Where we don't see material progress, we'll use our shareholder rights to challenge the company, and will sell our shares where it is clear that progress won't be made.

Whilst we delegate most of our shareholder voting to our fund managers, we work with them to understand their voting practices and monitor their voting activities. This ensures their approach to issues like climate change preserves or enhances the value of investments. We will act if we have material concerns.

During 2021, we made a decision to apply the most progressive voting policy on ESG available to us, relating to our share of votes in pooled funds with one of our managers, which is expected to come into force in 2022.

In early 2021, we conducted a targeted stewardship engagement with companies that had been identified as in breach of the requirements of the UNGC, and in the second and third quarters, we carried out two further engagement activities:

- Related to climate transition, we focused on the companies in our top 100 holdings that are considered to be in the most polluting sectors, but are not covered by Climate Action 100+
- Engagement with our top 50 holdings on cognitive diversity in Boards

Our stewardship priorities

Climate change

We strive to influence the companies we invest in to make positive changes. Starting in 2020, we have focused our stewardship activity on selecting companies which are failing to address climate change risks. This is in line with our aspirations as a member of the Institutional Investors Group on Climate Change. We challenge these companies to report on the financial impact of climate change on their business, to improve their business practices and reduce their carbon footprint. We additionally recognised companies in our portfolio that have performed well in reducing their carbon footprints, providing positive feedback and encouraging them to continue the hard work.

Cognitive diversity

Our second stewardship priority is cognitive diversity on corporate Boards; we believe that more diverse Boards make better decisions and deliver stronger results in the long term. In October 2021 we published a report **Great Minds Don't Think Alike** in collaboration with Dr. Johanne Ward-Grosvold, a senior lecturer at the University of Bath's School of Management, to explore the challenges facing Boards as they look to improve diversity and reduce groupthink in senior positions.

2021 key areas of progress

- In early 2021, we launched our inaugural **Scottish Widows Responsible Investment and Stewardship Report**, later becoming signatories to the Financial Reporting Council's 2020 UK Stewardship Code
- In 2020, we collaborated with BlackRock to design and launch the Climate Transition World Equity Fund, which Scottish Widows seeded and has continued to invest in, reaching in excess of £5 billion by end 2021. The fund uses a new data-driven investment approach from BlackRock which measures a company's exposure to transition risks and opportunities, providing investors with the opportunity to invest in the transition to a greener economy. BlackRock's approach scores companies on energy production, clean technology, energy management, water management, and waste management. The fund is tilted in favour of companies with higher scores in these areas, while retaining diversification across sectors and regions
- In November 2021, we launched the Find Your Impact feature inside the Scottish Widows app. It assesses the carbon footprint, waste to landfill, and Board diversity of the companies within a customer's pension and then provides this information at portfolio, fund or holding level. This allows customers to see where their money is invested and the impact these companies have on the world around them. Additionally it will allow members to give their views on a range of issues, telling Scottish Widows (and their scheme trustees where applicable) what matters to them; we will use this to inform our stewardship activity. In the longer term, this information will influence our responsible investment strategy, and will also, where appropriate, be shared with client companies to inform their own sustainability practices

Helping Britain Recover Accelerate the transition to a low carbon economy

2021 key areas of progress continued

- In July 2021, we launched our refreshed Scottish Widows Environmental Fund. The fund, which dates back to 1989, is now fossil fuel free. It has a dual approach: invest in companies which make a positive impact on the environment through their products and services, and invest in environmental leaders – companies making a difference with their progressive policies
- Throughout 2021, we have conducted regular oversight of our key fund managers on their stewardship activities, covering engagement, voting and policy advocacy, across environmental factors (like climate, biodiversity, waste and water pollution), social factors activities across several factors like human capital management, human rights, equal pay and working conditions, diversity, equity and inclusion, supply chain management and governance factors like Board composition, independence and diversity, corporate lobbying and executive remuneration. We have discussed the different data and information sources they use to inform their investment thesis on ESG and their stewardship activities, with the understanding that the data sets are inconsistent and issues are complex, and a wide variety of sources should be considered in decision-making
- Towards the end of 2020 and in early 2021, we conducted direct engagement activities with companies that had been identified in violations of the United Nations Global Compact, including engagement on human rights and labour rights, with some specific focus in selected cases on labour practices and the impact of those during COVID-19 and freedom for collective bargaining
- In mid 2021, we carried out an engagement programme relating to climate. This was a dual-pronged approach, focusing on companies in our largest 100 holdings. We had identified that there were a number of companies in which we have large holdings, which operate in sectors considered to be the most polluting, but which were not included in the Climate Action 100+ lists. We wrote to these companies requesting that they develop and share with us robust plans to reach net zero. In particular, we requested that they make disclosures around emissions (including Scope 3), align reporting to TCFD, make short and medium-term targets (including capex commitments), and link executive accountability and compensation to climate targets. At the same time, we wrote to companies in which we have large holdings, which had been identified on the Financial Times' Europe's Climate Leaders List, recognising their progress and encouraging them to press forward on their decarbonisation journeys
- Later in 2021, we conducted a range of activity related to our second stewardship priority, cognitive diversity on company Boards. Scottish Widows published a report **Great Minds Don't Think Alike** in collaboration with Dr. Johanne Ward-Grosvold, a senior lecturer at the University of Bath's School of Management, to explore the challenges facing Boards as they look to improve diversity and reduce groupthink in senior positions

For further details please refer to the **Scottish Widows Responsible Investment and Stewardship Report**.

- We responded to the joint Discussion Paper (DP) from the Prudential Regulation Authority (PRA), the Bank of England and the Financial Conduct Authority (FCA), DP 21/2: Diversity and inclusion in the financial sector – working together to drive change. We support regulators' increased attention to diversity in the financial sector and the inclusion of cognitive diversity as part of those considerations. We are also engaging with the financial sector on diversity directly through our support for the Asset Owner Diversity Charter. The Asset Owner Diversity Charter was formed with an objective to formalise a set of actions that asset owners can commit to improve diversity, in all forms, across the investment industry. The charter includes an Asset Manager Diversity and Inclusion Questionnaire which aims to standardise complex diversity metrics.

Partnerships, initiatives and collaborations

Scottish Widows recognises that we can be most effective through collaboration and we continue to work with other external bodies, organisations and initiatives pursuing responsible investment and climate-related policy or advocacy initiatives:

The Department for Work and Pensions (DWP) has supported the creation of the **Occupational Pensions Stewardship Council** in mid-2021. The council provides pension schemes with a forum for sharing experience, best practice and research, and providing practical support. Scottish Widows has been an inaugural member of this council, leading on its 'service providers' strand, with a focus on Asset Managers with an intention to develop a stronger overall voice of asset owners within the market and remove barriers to pension scheme voting.

The **Taskforce on Pension Scheme Voting Implementation** was set up by the Minister for Pensions and Financial Inclusion in December 2020 to address problems in the voting of equity shares by pension schemes. A key outcome of the taskforce was its report, published in September 2021, which we played a key role in developing. The report recommends changes in behaviours needed from service providers to facilitate more voting and better-quality voting by occupational pension schemes. We are actively working on the recommendations in the report through our involvement in the Occupational Pension Council.

We are a member of the **Association of British Insurers' (ABI's) Board** and the Board's **Climate Change Sub-Group**, as well as its **Climate Change Working Group**. The collaborative work of this group resulted in the publication of ABI's climate change roadmap in summer 2021, covering short and medium-term decarbonisation milestones for the insurance sector, proposals on how insurers can provide a third of investments needed to meet the UK's decarbonisation targets and plans to support customers in making sustainable choices, and much more.

Scottish Widows helped create the **IIGCC Net Zero Investment Framework**, published in 2021, leading on the Listed Equity & Corporate Fixed Income working group. Since publication, several members of our Responsible Investment team have been participating in working groups focusing on developing detailed guidance on climate solutions, material emissions, and stewardship engagement for users of the Net Zero Investment Framework.

Scottish Widows was in addition a signatory to the **2021 Global Investor Statement to Governments on the Climate Crisis**, ahead of COP26, asking governments to take specific and immediate actions to meet the Paris Climate Agreement goals and well as being a signatory to two parallel letters to the UK and EU Governments, urging them to deliver a clean, just and sustainable recovery from COVID-19, thereby providing the basis of a more inclusive and resilient economy.

Launched at the 2012 UN Conference on Sustainable Development, the United Nations Environment Programme Finance Initiative (UNEP FI) **Principles for Sustainable Insurance** (PSI) serve as a global framework for the insurance industry to address environmental, social and governance risks and opportunities. Our in-house Weather Modelling and Sustainability teams formed part of an industry working group with other PSI members to produce a report on piloting the TCFD recommendations with a focus on medium to long-term scenario analysis.

We have been a longstanding signatory of the **UN Principles for Responsible Investment** and are committed to being responsible stewards of the assets we oversee on our customers' behalf.

Thematic investment options

Responsible investment is much greater than stewardship and collaboration. As part of our Responsible Investment Framework, we have reviewed our fund range to allow customers, should they wish to, to align their pension investments with their own values and priorities. In particular, they may wish to invest in companies involved in providing climate solutions and effecting positive social and environmental change.

Helping Britain Recover
Accelerate the transition to a low carbon economy

In focus

Scottish Widows Environmental Fund,

In 2021, we launched our refreshed Scottish Widows Environmental Fund. The fund, which dates back to 1989, is now fossil fuel free. It has a dual approach: invest in companies which make a positive impact on the environment through their products and services, and invest in environmental leaders – companies making a difference with their progressive policies. Investors in this fund are therefore investing in companies directly contributing to better outcomes and a more sustainable environment as well as best-in-class companies from outside of the green economy.

About the fund
It's a fossil fuel free and UK-centric fund that is actively managed to achieve a positive environmental impact.

The fund's dual approach is to invest in companies that make a positive impact on the environment through their products and services, and in environmental leaders in terms of making a difference through their progressive policies.

Environmental impact

These companies contribute directly to better environmental outcomes through their products and services. They have a large proportion of revenue directly associated with facilitating a cleaner, more sustainable human-built and natural environment. Companies that fit into this category can often be at an earlier stage of maturity – in other words they tend to be small or medium in size – and involved in more capital-intensive research or development than more mature companies.

Environmental leaders

These companies are 'best in class' when it comes to having sustainable environmental policies which relate to their business. These companies can come from any sector (energy, consumer goods, financials, telecommunication services etc) and they will not typically be specifically targeted at the green economy. Nonetheless, these companies play an important role in environmental protection through, for example, living up to their progressive policies and procedures that:

- Ensure they have responsible sourcing of sustainable natural resources in their own supply chains
- Don't facilitate environmental harm through commercial lending, insurance, or other financial products
- Promote environmentally responsible consumer behaviour in their products or services through activities such as product recycling or making net zero corporate commitments

Fossil fuel exclusions

Crude oil, coal and gas are fossil fuels. They were formed over millions of years from the remains of dead plants and animals. Because of their origins, fossil fuels have a high carbon content. For more than a century, burning fossil fuels has generated most of the world's energy. The energy provides electricity and heat and transportation as well as feeding the processes that make a huge range of products from steel to plastics.

But we're paying the price. Using fossil fuels for energy has taken an enormous toll on the environment – from air and water pollution to global warming, as well as all the negative impacts from petroleum-based products such as plastics and chemicals.

So, in this fund, we won't invest in any companies that derive revenue from fossil fuels[1]. This includes extraction, production, supply, generation, owning reserves or receiving revenue from fossil fuels.

In addition, we exclude companies that receive revenue from nuclear energy, including nuclear uranium mining.

Environmental impact themes

Energy transition
Companies whose technologies contribute to or assist the transition to low carbon energy.

Examples
Wind, solar, energy storage, fuel

Environmental infrastructure
Companies that finance, build or operate energy infrastructure that contributes to supporting a net z zero world.

Examples
Wind farms, solar farms, anaerobic digestion, energy from waste

Environmental industry
Companies whose products or services reduce the environmental impact of industrial activity.

Examples
Clean air catalyst technologies, LED lighting, thermal and water management, building insulation

Low carbon consumer
Companies that enable consumers to live more sustainably.

Examples
Use of recycled/recyclable packaging, plant-based products, sustainable land management policies

Circular economy
Companies involved in the use of, and investment in, recycling technologies.

Examples
Recycling and waste management technologies, energy from waste

1 Excludes companies deriving revenue from: fossil fuel reserves (if there is evidence of ownership), fossil fuel extraction and production (if companies received any revenue from thermal coal, oil and gas extraction and production), fossil fuel processing and supply (if companies received any revenue from thermal coal or oil and gas value chain), fossil fuel power generation (if companies receive any revenue from fossil fuel (thermal coal, liquid fuel and natural gas) power generation), nuclear energy (if companies receive any revenue from nuclear power generation, nuclear uranium mining and depleted uranium mining), or those that do not meet Scottish Widows' other house exclusions policies – i.e., controversial weapons and UN Global Compact violators (below 0.5% materiality threshold).

Helping Britain Recover Accelerate the transition to a low carbon economy

In focus

Scottish Widows Ethical Fund

When it comes to specific ethical investment solutions, Scottish Widows targets high ethical standards across a range of issues that our customers care about.

The Scottish Widows Ethical Fund goes beyond the baseline Scottish Widows Exclusions Policy to remove from its investment universe companies in sectors often considered undesirable from a moral standpoint, such as alcohol, animal testing and gambling.

Additional links:

- 2021 Climate Report
- Scottish Widows 2021 TCFD Report (March 2022)
- Lloyds Banking Group Sector Statements
- Scottish Widows Responsible Investment Framework
- Scottish Widows Stewardship Policy
- Scottish Widows Exclusions Policy
- Scottish Widows Principles of Responsible Investment Report
- Scottish Widows Climate Action Plan

Screening

We recognise that there are certain companies and activities some of our customers prefer not to invest in. Screening is effective in narrowing down a fund's investment universe.

Investment in ethical leaders and driving high ethical standards

The screening leaves a pool of companies which meet our initial ethical criteria from which our fund managers can make their investment selections of leaders in ethical practices and standards. Our fund managers also have strong track records in working closely with the companies they invest in on our customers' behalf to drive high standards in relation to areas like labour issues, human rights and the environment. We hold our fund managers to account with regular reviews of their investment selections. We also consider emerging ethical themes and conduct research to monitor people's changing attitudes.

Our approach for the Ethical Fund is to exclude a range of business activities and practices to meet the needs of many ethical investors:

- Alcohol and tobacco
- Animal testing
- Fossil fuels
- Gambling
- Pornography
- Military involvement and weapons
- Nuclear energy
- Companies violating international standards on anti-corruption, business practices, environment, human rights, labour and workplace issues

Exclusions across the portfolio

We aim to reduce long-term investment risk by excluding investment in companies which fail to meet the minimum criteria and/or invest in activities that are outside of our Responsible Investment Framework.

We have raised the bar across all of our investments by excluding companies that pose the most severe investment risk due to the nature of their businesses: companies which derive more than 10 per cent of their revenue from thermal coal and tar sands, manufacturers of controversial weapons and violators of international standards on human rights, labour rights, environment and corruption – unless the size and type of investment mean we can influence positive change in their business models.

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Supporting our communities 54

Build an inclusive society and organisation

Supporting the achievement of the following SDGs

Helping Britain Recover

Build an inclusive society and organisation

Building an inclusive and diverse organisation

We believe that economic and social recovery should be truly inclusive and involve communities across the UK's nations and regions.

Inclusion and Diversity
We're aiming to create a fully inclusive environment that is representative of modern-day Britain and where everyone can reach their potential. In an increasingly diverse society, we can only truly become the best bank for customers if our workforce represents the society that we serve.

As the first FTSE 100 company to set targets to increase both gender and ethnic diversity at senior levels, we continue to invest in making the Group a leading inclusive employer, where the unique differences of our colleagues are valued.

Our focus on inclusion and diversity is a source of pride for our colleagues. This year, according to our colleague engagement survey, 89 per cent agreed that the Group is an inclusive place to work and approximately 50 per cent of our colleagues belong to or support one of our five employee diversity networks.

Ethnic diversity
Our aim is to increase the ethnic diversity of our workforce and unlock the potential of our Black, Asian and Minority Ethnic colleagues. We have a comprehensive Race Action Plan to help us meet our goals.

Building a truly inclusive organisation requires us to be anti-racist, where all colleagues speak up, challenge and act to take an active stance against racism and discrimination of any kind.

In 2020, we launched our Race Action Plan to drive cultural change, recruitment and progression across the Group. At the end of 2020, we broadened our plan to go further and work beyond our own internal boundaries by actively supporting Black heritage communities through our partnerships with Foundervine and the Black Business Network.

We have set aspirations to increase representation of Black, Asian and Minority Ethnic colleagues to 13 per cent at senior management levels, and increase Black heritage representation in senior roles to at least 3 per cent by 2025, aligning with the overall UK labour market.

Leading from the top, the Board exceeded the Parker review recommendation of at least one Black, Asian or Minority Ethnic Board member by 2021.

Our Race Advisory Panel, made up of 23 colleagues of Black, Asian and Minority Ethnic heritage, continues to play a critical role in helping us to shape the diversity initiatives that we need to deliver sustainable change.

Our 2021 inclusion and diversity performance

Gender		2021	2020
Board members	Male	**6**	8
	Female	**4**	4
GEC and GEC direct reports	Male	**78**	86
	Female	**42**	41
Senior Managers	Male	**4,368**	4,540
	Female	**2,640**	2,670
Colleagues	Male	**27,216**	28,948
	Female	**37,256**	39,817
Ethnicity			
% of Board members from a minority ethnic background		**20%**	8.3%
% of Senior Managers from a minority ethnic background ✔		**8.8%**	7.7%
% of colleagues from a minority ethnic background ✔		**11.3%**	10.6%
Disability			
% of colleagues who disclose that they have a disability		**3.7%**	3.2%
Sexual orientation and gender identity			
% of colleagues who disclose that they are lesbian, gay, bisexual or transgender		**2.5%**	2.3%

All data as at 31 December 2021. The Group Executive Committee (GEC) assists the Group Chief Executive in strategic, cross-business or Group-wide matters and inputs to the Board. GEC and direct reports includes the Group Chief Executive, GEC and colleagues who report to a member or attendee of GEC, excluding administrative or executive support roles (personal assistant, executive assistant).

Reporting: 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). Includes parental leavers, and internationals (UK includes Guernsey, Isle of Man, Jersey and Gibraltar). Excludes leavers, Group Non-Executive Directors, contractors, temps, and agency staff.

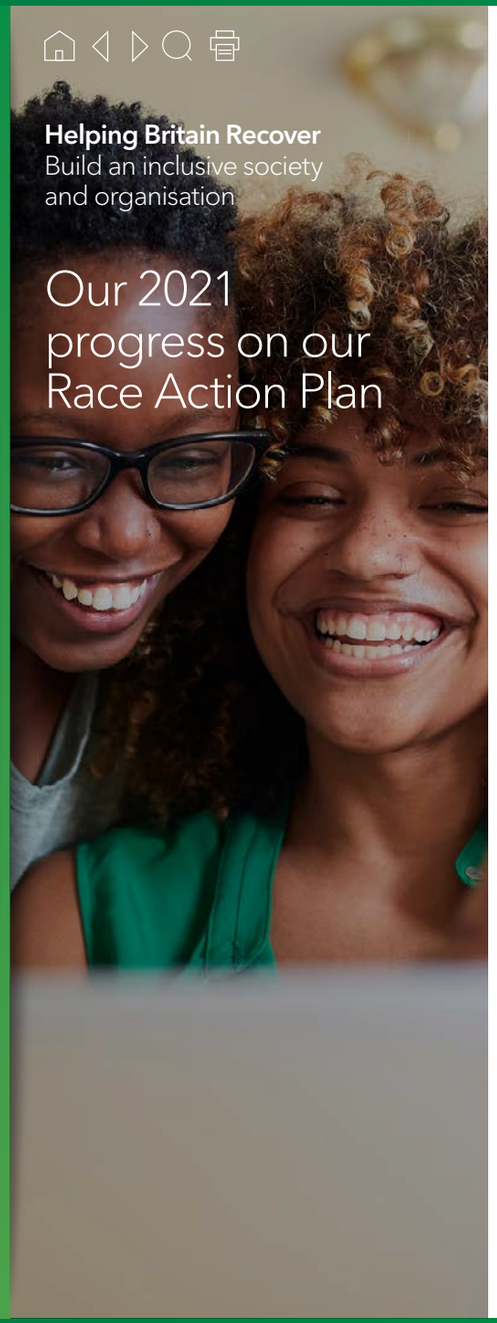
Diversity: Calculation is based on headcount, not FTE (full-time employee value). Data source is HR system (Workday) containing all permanent colleague details. Gender: Includes international, those on parental/maternity leave, absent without leave (AWOL) and long-term sick. Excludes contractors, Group Non-Executive Directors, temps and agency staff. All other diversity information is UK payroll only. All diversity information is based on voluntary self-declaration, apart from gender, so is not 100% representative; our systems do not record diversity data of colleagues who have not declared this information.

Ethnic background: Comprising mixed/multiple, Asian, Black, Middle Eastern, North African and other (non-white) ethnicities.

Colleague grades: From A through to G, Executive (X), Executive (EX) and Executive Director (ED), A being the lowest.

Senior Managers: Grades F, G, Executive (F being the lowest).

✔ Indicator is subject to Limited ISAE 3000 (revised) assurance by Deloitte LLP for the 2021 Annual Responsible Business Reporting. Deloitte's 2021 assurance statement and the 2021 Reporting Criteria are available online at https://www.lloydsbankinggroup.com/who-we-are/responsible-business/downloads.html.



Helping Britain Recover
Build an inclusive society and organisation

Our 2021 progress on our Race Action Plan

January – March

- We completed the recruitment of our Black Business Advisory Committee, chaired by leading businesswoman and former Cabinet Office adviser Claudine Reid MBE. All members bring with them a diverse set of experiences and expertise, which will equip them to investigate in detail the barriers to growth for the Black business community. The committee met for the first time in February to discuss plans and ambitions for their work
- The Lloyds Bank Foundation for England and Wales committed 23 per cent of its funding to support Black, Asian and Minority Ethnic led charities
- We completed delivery of specialist race education training to around 500 colleagues across critical 'people process' teams and launched our Race Education programme for line managers

April – June

- We collaborated with the City Mental Health Alliance on the '**Mental Health and Race at Work**' report, which seeks to build the business community's understanding of the challenges faced by Black, Asian and Minority Ethnic employees at work, and how these impact their mental health
- We launched the Black Entrepreneurs: Community Conversation, a series of events to build relationships and trust within the community
- We developed and launched the **Black Business Resource Hub** in collaboration with the Black Business Network – which is a directory of business resources and organisations that support Black and diverse entrepreneurs for the lifecycle of their businesses
- We launched refreshed inclusive hiring guidance and rolled out inclusive hiring masterclasses reaching over 1,600 hiring managers and colleagues
- Colleagues shared stories about their heritage as part of Windrush Day on 22 June

July – September

- We completed the delivery of our Race Education programme for line managers to more than 9,500 line managers and launched our Race Education programme for Senior Leaders
- We worked in collaboration with the Black Business Network to produce the '**Black. British. In Business & Proud**' report. It explores the full entrepreneurial journey for Black business owners in Britain, highlighting some of the barriers to growth and unique challenges faced by Black-owned businesses in the UK
- We launched a new practical guide, titled '**Championing Modern Britain**' for marketing and communications professionals. The guide identifies guiding principles that underpin marketing communications to ensure positive and progressive portrayals of ethnicity and race
- We launched a new series of 'Unfiltered' films and live events featuring real talk between real people that work within the Group, having open and honest conversations and exploring topics that colleagues told us they wanted to know more about

October – December

- Our bespoke Talent Identification & Sponsorship programme has supported five Black Senior Managers into senior leadership roles
- We completed a full review of all our people processes and agreed actions and recommendations to remove any issues of bias and deliver a proportional outcome for our Black, Asian and Minority Ethnic colleagues. We are building on broadening this across other demographic groups
- We delivered the last of three Race Education 'Next Steps' webinars for line managers with an external expert to enable line managers to ask questions and deepen understanding following their training to help supplement their learning
- We completed the delivery of our Race Education programme for Senior Leaders
- We launched an immersive Race Education for All Colleagues e-learning module to our entire workforce, designed to help colleagues identify racism and microaggressions, promoting awareness, allyship and action
- We published our second annual **Ethnicity Pay Gap Report**
- We signed the Charter for Black Talent in Finance and the Professions to enhance equality of opportunity in these sectors in the UK

In focus

Our Race Education programme for Senior Leaders

We have developed and launched a comprehensive Race Education programme for our colleagues; this started in 2020 with a series of sessions for all our senior leaders with external experts to help them have effective conversations about race. Since these sessions, we have delivered in-depth workshops to senior leaders to address some of the specific challenges they experience and explore practical ways they can have an impact across decision-making and cultural and behavioural standards, as well as helping them to have more authentic conversations about race. 73 per cent of our Senior Managers have attended a session and have described the workshop as enlightening, inspiring and eye-opening.

Gwynne Master, Managing Director, Working Capital, Client Products told us about her experience on the programme and her observations since we launched it and the Race Action Plan.

"The workshop was a great opportunity to listen to others, learn more, share thoughts, refine my thinking, and reconsider my own next steps. I had several lightbulb moments during the training. Western education around race is lacking at best, deliberately biased at its worst. There are so many subjects to explore in greater depth, in order to better drive change.

As a result of the training, my team is now more aware of not only the importance of building a diverse team, but the benefits. As a leader, delivering race education to all of our colleagues is essential. We're on a journey to achieve best- in-class diverse teams across all of our businesses, reflecting the society we serve. There are plenty of in-depth studies highlighting superior results achieved by diverse teams. Not only is action around race the right thing to do, it's the smartest way forward. Race education and action raises the bar for all of us – and that's a good thing for our clients, colleagues and shareholders.

Since the launch of the Race Education programme, engagement around race has ramped up significantly across the Group, across leaders and line managers. Teams are far more aware of the importance of racial diversity, the seriousness of the issues to be addressed, the role that they will play as individuals and the actions they will take. The pace is picking up and this is exciting.

Race diversity sits at the very heart of our Group objectives. We've made powerful strides on gender diversity and the same is underway regarding race. We have much more to do but momentum is growing. Since the launch of the Race Action Plan, I've been energised by the great expansion of knowledge, deep focus on delivering change, and action plans being implemented and executed across teams."

Helping Britain Recover Build an inclusive society and organisation

Build an inclusive organisation

Gender diversity

We champion gender equality through promoting a strong pipeline of executive female talent for the future. In 2021, we set a new aspiration for a leadership team that reflects the society we serve, of 50 per cent women in senior roles by 2025. Our progress has been recognised externally for the third year in the 2021 Bloomberg Gender-Equality Index, and for the tenth consecutive year in The Times Top 50 Employers for Women.

Our Board is committed to maintaining at least three female Board members and over time will aim to reach 50 per cent male and female representation on the Board to match the ambition that the Group has set for female senior executives. Reflecting these aspirations, the Board will aim to meet any recommendations set out by the FTSE Women Leaders Review.

We have continued to drive progress around female talent development, progression and recruitment through our existing programmes and activities, such as our Women in Leadership and Sponsorship programmes for middle management women. Our Women in Leadership programme has resulted in 30 per cent of attendees achieving a promotion within two years and our Sponsorship programme has resulted in promotion rates four times greater than the Group average for female progression. Our achievements are reflected in senior women from the Group having been recognised in the Cranfield Women to Watch list, and at the Women in Banking & Finance Awards.

Our Returners programme, now in its sixth year, targets professional women, as well as men, who have been on a career break of at least two years. The programme enables professionals to resume their career at the level they operated at prior to their career break. We have a strong female uptake on this scheme which has resulted in professional opportunities for 122 talented individuals since its launch.

Breakthrough

Supporting women to reach their full potential

Our women's network, Breakthrough, has 15,000 members and 4,000 mentors. Breakthrough regularly runs events to support colleagues in fulfilling their career potential. This year Breakthrough has run dedicated months of activity focused around Confidence and Mentoring, touching on topics such as imposter syndrome, and how menopause can impact on career confidence, as well as a 12-week personal development programme for colleagues to follow. More than 1,700 colleagues took part in the programme which equated to six hours' personal development over the 12 weeks. The network also holds regular sessions showcasing senior female leaders across the Group, which helps colleagues at all grades across the Group learn the various routes that leaders have taken to get into leadership roles.

In October, the Group launched a new initiative to provide more support to colleagues when it comes to the menopause. This includes enhanced medical support and care, a dedicated menopause helpline, a new online hub, and changes to our Health and Wellbeing Policy to ensure anyone can get the support they need. Training has also been developed to support managers to hold confident conversations with their teams and offer support to their people when needed.

15,000

colleagues are members of our Breakthrough network

Parental leave support

We continued to support our working parents with parental leave transition coaching to help colleagues and their line managers manage the transition from work, to taking time off as a parent, and then preparing to return to work again. We have also introduced two new support tools for colleagues: a new Maternity Colleague Journey on our HR system which brings together all the required information for colleagues in one place and new maternity and adoption pay calculators that enable colleagues to view their projected income whilst on leave.

Our Family Matters Network for parents and carers now has over 8,000 members and holds events which cover topics from caring for children/adults and managing a career, to specific support for fathers.

Sexual orientation and gender identity

We are proud to have created an inclusive and open working environment for our LGBT+ colleagues. This year we have continued our #AlwaysProud social media campaign because, for us, Pride is an all-year celebration of all sexualities and identities. We marked visibility and awareness events throughout the year, such as International Day Against Homophobia, Transphobia and Biphobia, LGBT+ History Month, Trans* visibility day, Bi Visibility Day, Lesbian Visibility Day, and also shared a series of LGBTea Break conversations between our LGBT+ colleagues and social media influencers. To inspire our LGBT+ colleagues and encourage allyship, we have hosted a range of events featuring high-profile, diverse LGBT+ speakers.

Rainbow

THE LGBT+ PROFESSIONAL NETWORK

With more than 5,000 members, our LGBT+ colleague network, Rainbow, plays a pivotal role in our approach to supporting our LGBT+ colleagues. In 2021, Rainbow launched its third LGBT+ and Allies role models list, which shines a light on colleagues within the Group who've been nominated for their outstanding impact on LGBT+ inclusion. Senior leaders from across the Group have also been recognised with external LGBT+ awards. Rainbow has also created a new Mental Health Advocate programme based on the Group's already successful existing Mental Health Advocate programme. This includes additional training and support tailored to the LGBT+ community and comprises over 80 advocates.

We have undertaken a review of the experience of our Trans* colleagues when they decide to transition, and or share their gender at work. As a result, a series of improvements will be made across all processes and training awareness in early 2022.

To mark Pride in 2021, our Rainbow network held a series of virtual events and activities for colleagues taking place over 16 weeks. The events and dedicated Pride hub resulted in over 18,000 colleague engagements. During Pride, we encouraged colleagues to recognise role models who contribute to LGBT+ inclusion within the Group and wider community.

5,000

colleagues are members of our Rainbow LGBT+ network

Our Lloyds Bank, Halifax and Bank of Scotland branches in Glasgow, Manchester and Birmingham featured Pride installations to show support for the physical Pride events taking place across the cities, and a selection of our offices across the UK displayed Pride branding.

Supporting disability

The Group has the ambition of supporting our colleagues with disabilities and long-term health conditions to be the best that they can be, and to be valued for who they are. This continued drive behind our disability inclusion journey is recognised through the Group holding the Business Disability Forum Gold Standard accreditation, and retaining Disability Confident status from the Department for Work and Pensions.

As a result of listening to colleagues via informal two-way feedback sessions, we have now agreed enhanced disability options on our HR system, enabling colleagues to identify their whole self. We have also introduced a workplace adjustment passport for our colleagues which aids with communication, and helps place more importance on and awareness of workplace adjustments. Following the incredible success of our Mental Health Advocate programme, this year we have also rolled out Accessibility Advocates which helps us further our disability inclusion strategy, and increase awareness and understanding.

Helping Britain Recover Build an inclusive society and organisation

Supporting our colleagues

We know the success of our business is dependent on our colleagues and we aim to look for ways to help them feel more supported, in control and confident about their future.

Colleague engagement

More than 64,000 colleagues work across the Group and we welcome their views and opinions on a range of topics to enable us to employ and retain talent across the organisation. We want to ensure that all our people have a positive experience and we listen to our people in many ways and respond to their views.

We conducted our Pulse survey early in 2021 though far fewer colleagues took part than in previous surveys (57 per cent). From this we identified that overall engagement had started to fall slightly from the all-time high in 2020. Despite this, colleagues felt their wellbeing continued to be supported by the Group and their leaders. The Financial Services Culture Board (FSCB) assessment also showed that on many metrics we performed better when compared to pre-pandemic levels but had not retained the high scores of 2021; indeed the FSCB noted that the 'COVID glow' had faded across their respondents in 2021.

Our annual autumn survey was completed by 71 per cent of the Group and confirmed that overall engagement was significantly lower than in 2020. Despite lower engagement, we have seen an increase in overall mood linked to better work life balance, good teamwork and strong manager capabilities. This survey also allowed colleagues to directly inform the future of the Group with more than 44,000 comments about the areas for future focus, particularly relating to strategy, purpose and colleague experience.

Health and wellbeing

We remain committed to supporting the health and wellbeing of all colleagues and offer a range of easily accessible support services for colleagues and their families to use. This year, 83 per cent of colleagues said they felt the Group had supported their wellbeing in 2021, and although this is down from 88 per cent in 2020, it's nine percentage points higher than the UK banking and Insurance norm.

Our approach to wellbeing is to deliver support in four pillars and in 2020 we developed a new hub to help colleagues access the support they need. Content is regularly updated and the hub promoted, and as a result, around 56,000 visits are made on average each month by our colleagues. Wellbeing remains a key theme in our internal communications, which have assisted colleagues to feel supported and empowered to make healthy choices.

The four pillars of our wellbeing programmes:

Healthy bodies
- Bupa private medical cover
- Office equipment support
- New menopause proposition
- Workplace adjustments at home
- Occupational health services

Healthy minds
- Mental Health Advocates
- Optimal Leadership Resilience programme
- Headspace
- Employee Assistance programme
- Your Resilience
- Occupational health services

Healthy finances
- M-word campaign for colleagues to break down the money taboo and improve financial education
- Tools and resources to improve financial education
- Employee Assistance programme – debt and financial wellbeing support
- Ongoing review and provision of support through financial wellbeing/ resilience colleague campaigns

Healthy relationships
- My Family Care
- Domestic and economic abuse support
- Employee Assistance programme – your coaching and support
- Pandemic Line Manager support guide

Menopause support

30 per cent of our workforce is made up of women aged over 40, which means up to 21,000 colleagues could be experiencing the menopause. Societally, menopause is a taboo topic and within Lloyds Banking Group it's no different, with three out of four women saying they're not comfortable talking about it at work. Yet its impact can be huge, with 30 per cent of women considering leaving work because of it. As an organisation we want to support all of our people to be healthy at work, and reach their full potential. We spoke to women, and men, across the organisation to hear how the menopause has impacted them and what support they feel is needed, and a new menopause proposition was launched on World Menopause Day (18 October 2021) as a result.

The proposition focuses on three areas: raising awareness of the menopause and its impact; improving day-to-day life at work through resources, manager training, events and a review of existing touch-points such as uniforms; and medical support provided by our Bupa private medical benefit.

The proposition was aimed not just at women going through menopause, or those who have it to come, but those who play a role in supporting someone through it at work or in their personal life. To help us really grab colleagues' attention, we launched a partnership with Davina McCall. Colleague reaction has been overwhelmingly positive. In the first two months, the launch article received 16,000 views, 9,000 visits were made to the Menopause Hub and our launch interview with Davina McCall was viewed over 7,000 times.

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Bupa

All colleagues are offered private medical cover provided by Bupa as a core employee benefit which gives access to good-quality medical care, including accommodation, nursing care and specialist advice. Cover is also available for family members by purchasing additional benefits through Flex, an important element of the reward package, enabling colleagues to select benefits that suit them or a cash equivalent.

Colleague mental health

Our mental health approach allows our colleagues to feel empowered and to prioritise their wellbeing and mental health. We do this by continuing to create a culture where the stigma around mental health conditions is consistently challenged and reduced. As we adapt our new ways of working, we recognise the opportunity we have to further challenge ourselves to adapt the way we work in order to support each colleague's wellbeing.

Our Mental Health Advocate programme continues and we have surpassed our target of training 2,500 colleagues for this role. This network proactively works to raise awareness of mental health and support our colleagues by signposting to professional support. We will continue to work with Mental Health UK to maintain this number of Mental Health Advocates and to ensure that support for this network continues.

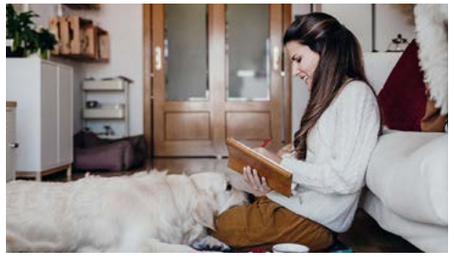
Working with Mental Health UK to support our colleagues

Working with Mental Health UK in June 2021, we launched a holistic six-month 'test and learn' pilot to further support colleagues who receive calls from distressed customers who are financially vulnerable. Whilst common practice in the NHS and charity sector, this is an industry-leading pilot and a unique proposition for a commercial organisation.

Two mental health specialists have been seconded into the business from Mental Health UK to work with around 200 colleagues and test a range of colleague wellbeing interventions, including debrief calls, therapeutic coaching, and peer group discussions. Initial findings and feedback from the pilot have has been positive:

- 77% of colleagues strongly agree, and agree with the statement: "The colleague mental health support pilot is helping me to maintain or improve my mental health"
- 74% of colleagues strongly agree and agree with the statement: "The colleague mental health support pilot is helping me feel better equipped to support our customers"
- Colleague confidence in discussing their mental health has increased

The pilot has now been extended for a further six months and will focus on the intervention that is proving to be the most beneficial to colleagues. Findings from the pilot will look to inform our future approach.



Optimal Leadership Resilience Programme (OLRP)

Partnering with The Insight Network, OLRP supports 2,000 leaders across the Group to achieve peak leadership performance. The programme, which concludes in 2022, is delivered by a team of highly skilled psychologists and clinicians, and teaches coping strategies and resilience tools.

Headspace

The Group has extended our partnership with Headspace for a further two years, offering all colleagues a free subscription to the market-leading meditation app, providing access to mindfulness modules covering a range of topics from stress to self-esteem. These initiatives continue to help us to change our culture around mental health, and empower our colleagues to openly talk about, and take ownership for their own wellbeing and take action to support it. Over 18,000 colleagues have registered and 20 per cent are using the Headspace app regularly.

Our Employee Assistance programme (EAP)

The EAP, run by Validium, provides colleagues and their families with free confidential support and advice on a range of issues from health and wellbeing related issues to financial issues. It is available 24 hours a day, 365 days a year, ensuring that support is always available. From January to October 2021, over 24,000 calls and formal counselling sessions took place. While calls are up 67 per cent, counselling cases are down 10 per cent, indicating that colleagues are taking steps to proactively manage their mental health.

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Domestic and economic abuse support

At Lloyds Banking Group, we believe employers have a very real role to play in supporting victims and survivors of domestic and economic abuse, raising awareness and acknowledging and responding to the issue. Work can be a safe space.

We recognise we are not experts on this issue so we work with specialist charities including Surviving Economic Abuse, Tender and Safe Lives, as well as the Lloyds Bank Foundation for England and Wales, to help us develop our strategy, support tools and resources for colleagues.

In January 2021, the UK Government recognised Lloyds Banking Group as a 'best practice employer' in its report on support for domestic abuse survivors in the workplace. In June 2021, the Group was the first bank to receive Hestia's Everyone's Business Award, recognising our efforts in supporting our employees who may be experiencing domestic abuse.

Providing support to colleagues

We have a suite of advanced guidance taking colleagues on a journey to remove any biased thinking, reflect on the nature of healthy relationships, and consider their reaction to disclosure of abuse. Professional support is signposted, including the Bright Sky app. As part of this we have specific guidance for line managers on how to support colleagues experiencing domestic and economic abuse.

The line manager guidance aims to increase awareness and understanding of the nature and impact of abuse, help them support customers and colleagues who are impacted to regain control of their finances and access additional help from appropriate third parties.

We share regular communications and colleague stories to raise awareness, as well as hosting webinars with charities to provide the opportunity for colleagues to ask questions on this topic and find out more about the support available. In 2021, we hosted webinars on topics such as personal safety, economic abuse, and how domestic abuse impacts different demographics. We also supported the 16 Days of Action Against Domestic Violence campaign.

Group emergency assistance

Our established Emergency Assistance programme covers the cost of emergency accommodation and one-to-one support. This is available to colleagues and their children, at no cost to them. During this emergency stay, the colleague can receive additional support from our Employee Assistance programme which will help them through their next steps and provide support as we want our colleagues to never feel alone. We will also offer to change their work mobile number to prevent the perpetrator from contacting them.

To learn more about how we support our customers experiencing domestic and economic abuse please refer to **page 21** of this report.

Occupational health and safety

Ensuring a safe working environment is key to the operation of the Group as we are an organisation dependent on our people. A Group Health and Safety Policy issued by our CEO demonstrates the commitment of the Group to providing a safe working environment.

To continue to ensure a safe working environment, robust measures have continued throughout 2021 to protect our colleagues from COVID-19. Considerable levels of additional cleaning are undertaken in our operations to ensure that all offices and branches are safe, alongside proactive and reactive deep cleans. A key focus has been on the ventilation systems of the buildings and ensuring that we exceed standards for ventilation.

Significant actions have been taken during 2021 in terms of improving the overall health and safety management system of the Group, with the aim of transitioning the current processes towards a health and safety management system that is aligned to the requirements of ISO 45001. The aim is to further develop simple and clear management standards to support all colleagues in managing occupational health and safety risks within the workplace. This is supported by the relaunch of the new employee health and safety portal which simplified the level of administration required to report an accident or incident, and conducting safety reviews.

Colleagues have easy access to health and safety subject matter experts and can learn from the Group-wide health and safety community through the user-friendly Health and safety SharePoint site. To date, the Health and Safety team have supported colleagues by answering over 400 queries.

Further information on our health and safety performance can be found in our **ESG Datasheet**.

Performance management: Your Best

The Group's approach to performance and development – Your Best – centres on helping everyone to be their best. We trust that our people want to work hard every day, which means our leaders and managers focus on empowering, encouraging and enabling then to do this.

Line managers across the Group give their direct reports regular feedback so they're clear on how they are performing; however, we no longer use performance ratings, or require extensive documentation and commentary to support this.

At the heart of Your Best are the conversations between a manager and the people in their team. We use a series of simple questions – which we call the Check-in – to make sure we talk openly about how we're performing, working with others, and growing and developing.

We have designed Your Best as a framework for colleagues to manage their own performance and development. We continue to encourage everyone to ask for and give regular and descriptive feedback, and we especially encourage our leaders to ask for feedback on how they are leading.

Your Best has established that our approach to performance and development is one of the Group's key culture-building propositions:

- Following its roll-out in 2019, Your Best's ethos of trust, down to earth language, and flexible touch-points helped leaders and teams maintain supportive relationships to cope with the disruption of the pandemic
- Around a third of the Group (approximately 23,500 people) used our Your Best modules on resilience, allowing us to signpost the range of support that we offer to our people as the UK went through and emerged from lockdown
- Our emphasis on continual growth and learning means our teams are well positioned to experiment with how and where they work as we adapt to new ways of working.

Given the scale of behaviour change involved in fully adopting Your Best, we had always planned for a three to five-year embedding period. This year, against a backdrop of declining engagement scores, we continued to see increases in areas indicating steady progress towards making Your Best part of the way we do things in the Group. Line manager NPS increased to 53 (up three points from 2020 and six points from 2019); 82 per cent of colleagues say they're clear on how they're performing due to their Check-ins (up eight points from 2020 and 18 points from 2019); and 65 per cent of colleagues say that Your Best helps them to learn and grow (up five points from 2020).

23,500

colleagues used our Your Best modules on resilience

65%

of colleagues say that Your Best is helping them to learn and grow

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Colleague learning and development
In 2021, we continued to evolve our learning delivery model, and offer learning solutions face to face and virtually through our internal curriculum and external learning content providers.

In response to the wider economic environment and changing world of work, new learning modules were launched for all colleagues to build awareness and knowledge around sustainability – helping accelerate our transition to a low carbon economy.

Focusing on enhancing our leadership development proposition has remained a priority. We were successful in achieving a Princess Royal Award for our Leadership & Management Accelerator learning – designed for new and experienced leaders, supporting them in a structured skill pathway. To complement this offering we have launched Virtual Classrooms helping leaders to navigate difficult conversations and hybrid leadership – shifting the focus on theoretical learning to practical application of acquired knowledge.

Acknowledging our approach to learning and development, 75 per cent of colleagues responded positively to the statement "Colleagues are getting the training and development needed to keep up with customer demands" and 67 per cent to the statement "I can see that the Group commitment to learning is making a difference to me".

The Edge
The Edge Leadership development proposition is equipping our executives with the tools they need to lead through the technological, cultural, and organisational challenges in 2021 and beyond. With a focus on bringing 'outside knowledge' in, executives have the opportunity to hear and interact with thought leaders across a breadth of fields.

The Edge ensures that our leaders value the practice of leadership above the position of leadership, and that they are making decisions that enable the Group to be a force for good in society.

The Edge is continuously evolving and adapting to suit the world our colleagues and customers live in.

In addition, senior leadership has interacted with more than 70 external organisations, charities and community leaders, using the core practices of deep listening, working generously, reflecting more and taking action and experimenting.

Apprenticeships
We are continuing to extend and enhance our apprenticeship delivery, currently offering apprenticeships in 30 occupational roles from Level 2 to Level 7. New programmes launched in 2021 include Level 3 Data Technician and Level 4 Dev Ops. We typically have 1,700 colleagues on an apprenticeship at any time. In 2021 we have seen 700 colleagues start an apprenticeship with over 80 per cent of newly created apprenticeship roles being in digital and technology. Apprenticeship recruitment contributes to our focus on diversity with 25 per cent of external hires coming from a Black, Asian or Minority Ethnic and 45 per cent being female.

Levy transfer
Throughout this period of turbulence in the jobs market we have continued to support SMEs through our levy transfer initiative to invest in skills within their business and create new opportunities for young people and adults faced with reskilling in a changing market. By the end of 2021 we committed financial support to 700 apprentices employed by over 300 businesses in areas of critical shortfall need in the UK to a cumulative value of £8.6 million.

Building skills for the world of work
Our partnership with Skillsbuilder has enabled over 2,300 students aged between eight and thirteen, to learn about and develop essential behavioural skills which will set them up for success. These skills contribute to higher educational achievement, and higher skilled and better paid work, particularly for individuals who have experienced challenges in early life.

Recognising the impact of lost school contact time through the pandemic, this year we delivered our first virtual work experience programme, supporting 450 students aged fifteen and sixteen. Through it, they learn how to build their personal brand, improve their presentation skills, gather insights into their strengths and find out what their place could be in the fast-changing future world of work.

Group pension scheme
The Group has 97 per cent of our employees participating in the in-house pension schemes. The Lloyds Banking Group Pensions Trustees Limited, which is responsible for managing the largest Group pension schemes, also shares the commitment to reduce carbon emissions by at least 50 per cent of its c.£50 billion investments by 2030, and net zero by 2050. As part of this, and in response to member feedback, the Lloyds Banking Group Pensions Trustees Limited recently integrated ESG considerations into its investment strategy, allowing our colleagues to opt to participate in an ESG-aligned pension investment.

Freedom of association and collective bargaining
We support colleagues' rights to exercise freedom of association and have extensive consultation and collective bargaining processes in place, both in the UK and overseas. We have a recognition agreement with two trade unions which collectively consult and negotiate on behalf of our UK workforce (around 99 per cent of colleagues worldwide) and have engagement with the CEO, Group Executives and Board members. Union membership is relatively high for our sector at approximately 45 per cent, and our relationship with the trade unions allows all parties to work together to improve the working environment and ensure colleagues are rewarded fairly for their contribution to the Group. Our engagement with the unions was particularly valuable during the pandemic when we held more than 100 meetings to discuss issues as they arose and ensure that our approach to health, wellbeing, reward and colleague support was reflective of needs and had the support of our union partners.

Colleague remuneration
The 2022 pay budget provides for a minimum pay increase of £1,000 for junior colleagues. The minimum salary in our organisation will rise to £10.60 per hour (£19,292). With Flex cash included, this equates to a £20,000 minimum starting rate for new joiners. Our pay proposal is subject to a ballot of each union's members.

All Group employees receive a competitive reward package. To encourage ownership, colleagues are eligible to participate in HMRC-approved share plans. Further information is provided in our 2021 Annual Report and Accounts.

Helping Britain Recover Build an inclusive society and organisation

Supporting our communities

We're an integral part of communities across the UK and it's our responsibility as one of the country's largest financial services companies to help communities prosper.

Our Foundations

As one of the UK's largest corporate donors, we use our scale to reach millions of people and help tackle social disadvantage in communities across the UK. To help secure a more certain future for small charities and safeguard their important societal contribution, we committed to maintain our £25.5 million contribution in 2020 to our independent charitable Foundations in 2021, giving more than £50 million over two years.

Ongoing challenges from the pandemic mean that the small charities our Foundations fund have continued to be at the heart of the efforts to tackle some of the most challenging issues facing the UK, and in response to their ongoing needs, the Foundations have continued to provide much-needed funding and support. The Lloyds Bank Foundation for England and Wales committed to awarding 25 per cent of grants in 2021 to organisations led by and for Black Asian and Minority Ethnic communities, disproportionately affected by the pandemic.

In 2021, 535 Lloyds Banking Group colleagues gave practical support to many of the charities our Foundations fund through a number of skills-based volunteering programmes, sharing their experience and expertise with charities, with more than 463 colleagues supporting 74 Charity Response Forums and hundreds acting as mentors and trustees for charities.

In 2021, our total community investment was close to £46 million ✔, which includes our colleagues' time, direct donations and in-kind giving.

Lloyds Scholars

Our award-winning social mobility programme Lloyds Scholars, established in 2011, has supported more than 1,000 students from low-income households across our nine partner universities. Students benefit from financial support by means of an annual bursary to help with living costs, and employability skills gained through 10-week internships with Lloyds Banking Group. Employability and access to volunteering opportunities benefit local communities and provide a skills boost for students' future recruitment prospects.

Ten years on, with significant improvements seen across university outreach programmes, and new initiatives sometimes modelled on the Lloyds Scholars programme, as well as our own move towards higher-apprenticeship based recruitment over recent years, we have decided to close the programme to new recruits, but remain very proud of the many Scholars who have gone on to become colleagues at Lloyds, or taken up graduate level jobs with other organisations.

✔ Indicator is subject to Limited ISAE3000 (revised) assurance by Deloitte LLP for the 2021 Annual Responsible Business Reporting. Deloitte's 2021 assurance statement and the 2021 Reporting Criteria are available online in our **Responsible Business Downloads Centre**.

School for Social Entrepreneurs

In 2021, we entered into our tenth year of partnership with the School for Social Entrepreneurs, which provides grants and training for social entrepreneurs and charity leaders tackling urgent social and environmental issues. Since the start of the partnership we have helped around 2,600 social entrepreneurs to start up or grow their businesses.

The social entrepreneurs we support demonstrate huge impact: Match Trading grants enabled participants to achieve an additional £3.7 million in earned income over the course of the one-year programme; social enterprises on the programme have helped more than 750,000 beneficiaries in communities across the UK, addressing society's most pressing problems such as homelessness, mental health, poverty and inequality; and, on average, each social enterprise supported by the programmes creates three new local, full-time employee opportunities and 12 critical volunteering roles.

In focus

Charity Response Forums

Charity Response Forums were established in 2020 to bring charity representatives together virtually with a panel of the Group's colleagues to help charities navigate their way through the challenges the pandemic posed to them, their staff and their service users. Colleagues have been supporting the charities beyond the forums, identifying areas where their expertise could help address some specific challenges, particularly sharing digital and communication strategy tools and ideas; fundraising and income generation ideas; and community engagement.

In 2021, 463 colleagues supported 74 charities through Charity Response Forums. One of those charities was Refugee Action Kingston, which provides legal and welfare advice, employment guidance and counselling to refugees and asylum seekers. Seven colleagues joined the forum, along with representatives from the charity, to share their most pressing concerns, test their thinking, and tackle their problems from a new angle.

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Charity partnerships

Mental Health UK
During 2021, the fifth year of our partnership with Mental Health UK, a further £1.2 million has been raised, bringing the total raised overall by colleagues and customers to more than £14 million. In-person fundraising remained very challenging in 2021 and so we have continued to encourage creative activities such as virtual walking and cycling challenges and quizzes.

Mental Health UK has continued to deliver our BLOOM programme in schools and colleges, equipping young people with the tools and knowledge to maintain their mental health through life's transitions, both now and in the future. We have also continued to support the Mental Health and Money Advice service which was expanded in 2020 to support the growing need for the service due to the pandemic, and for which demand has continued to rise.

Recognising the ongoing need to support mental health issues, particularly heightened by the pandemic, we have announced a further extension of this successful partnership, through to the end of 2022, enabling the charity to focus specifically on strengthening grassroots service provision across the country.

Woodland Trust
Since January 2020, the Group has been working in partnership with the Woodland Trust to plant 10 million trees in the UK by the end of the decade as part of our commitment to finance a greener future and support the transition to a low carbon economy. These trees have the potential to absorb 2.5 million tonnes of carbon dioxide in their lifetime, adding to the UK's carbon store.

The Group has planted 2 million native trees across the UK – in our new 'woods within woods'; in partnership with the agriculture sector and with communities. Over 1,200 colleagues have planted nearly 50,000 trees at 60 tree planting events during 2021, including two of our new 'woods within woods' at Butterdean, East Lothian and Glas na Bradan, Northern Ireland.

Our partnership also supports communities to plant trees with the Woodland Trust's Free Trees programme, planting over 250,000 trees during 2021.

Farmers and landowners are able to access both expert support and preferential funding at 75 per cent for more than 0.5 hectares of new woodland through the Trust's MOREwoods and MOREhedges schemes.

Further information related to the Woodland Trust partnership can be found on pages 38 to 39 of this report.

Colleague volunteering
Colleague volunteering has continued to be a challenge due to social distancing restrictions, but we have continued to provide virtual support to charities which are grant recipients from our independent Foundations. Towards the end of 2021 we were able to recommence our tree planting volunteering activities, with over 1,200 colleagues volunteering to support our Woodland Trust initiative at sites around the UK.

Nearly
50,000
trees planted by 1,200 colleagues

In focus

African Caribbean Community Initiative

African Caribbean Community Initiative (ACCI) is a charity based in Wolverhampton, funded by the Lloyds Bank Foundation for England and Wales, which provides support for those suffering from mental health issues and raises awareness of the issues facing its members within the local community.

As part of a pilot called 'Community Connections' running in partnership between Lloyds Banking Group and the Foundation, the charity was introduced to a local Lloyds Bank branch, where the sharing of knowledge and expertise has led to a better understanding and outcomes for local people facing complex social issues.

Denzil Fletcher, Deputy Services Manager from ACCI, explained how the relationship led to one of the charity's members, who was facing difficulties in opening a bank account, being able to access banking without the need for conventional ID. Nelson* had approached several banks to help him open an account so he could have his welfare benefits paid to him. None of them could help because he had no passport, driving licence or photo ID, and he didn't have utility bills in his name. The stress caused by the situation was adding to Nelson's mental health issues.

After ACCI ran a training session in the branch they explained Nelson's predicament to colleagues there who were able to suggest alternative ID options, which meant Nelson could open an account. Following the session, an ACCI staff member accompanied Nelson to the branch with a signed letter from ACCI, where Lloyds Bank colleagues opened a new account for Nelson.

Denzil said that

"Lloyds Bank staff were helpful, with the letter helping to break the ice, because Nelson's mental health issues aren't immediately recognised."

Senior Bank Manager Joanne Whitehouse commented:

"We are now working even closer with ACCI, as I feel they now trust us to help their members with any future banking facilities. We will also take this experience to help us identify any other customers in vulnerable circumstances who we can help with their complex needs in the future."

*Name has been changed to protect identity

Conducting our business responsibly

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Supporting the achievement of the following SDGs

Helping Britain Recover

Conducting our business responsibly

At Lloyds Banking Group, being a responsible business means operating ethically, sustainably and inclusively; meeting our legal requirements; and always considering our impact on our customers, colleagues, society, and the environment.

Code of Ethics and Responsibility

The Code of Ethics and Responsibility is a guide and reference point for every colleague and underpins our purpose, bringing together all of the different elements that define how we work and ensure that we do business responsibly.

The Code explains how we can work responsibly, living up to our values and doing the right thing when we have to make decisions, and it applies to all Lloyds Banking Group employees, contractors and agency employees, whether or not they are working with customers directly. Lloyds Banking Group demonstrates that we understand these obligations fully by ensuring all colleagues complete mandatory training every year. We promote high ethical standards and do not tolerate any circumvention of our economic crime prevention policies. We're a member of Transparency International UK's Business Integrity Forum – a network of major international companies committed to high anti-corruption and ethical standards in business practices.

Maintaining a focus on culture change

In 2021 the Group focused on understanding the culture that we need to successfully deliver our new strategy. Through engagement with colleagues, external research and data from a behavioural diagnostic tool, we know we need to continue increasing the sense of psychological safety amongst our colleagues so that we can become more innovative and make quicker decisions, while putting people at the heart of what we do.

The Group is strengthening the connection between our purpose, culture and strategy, with refreshed values to help us move to the future culture we need.

As a Group, we have continued to build our purpose-driven and values-led culture through critical programmes.

- There are now 4,309 trained Behavioural Experiments Champions who are experimenting on challenges including: supporting graduates to join the organisation, making team meetings more engaging, supporting colleagues to help customers with their mortgage needs, using Microsoft Teams more effectively and improving communications
- Our Dilemmas initiative has grown, allowing real-life experiences to be presented in scenarios on topics including: dealing with inappropriate behaviour; inclusion; mental health; empathy; and new ways of working. Talking about the situations helps build colleague confidence to face similar situations in real life and psychological safety grows within teams as colleagues begin to share their own lived experiences
- We continue to build empathy into how we work. We've updated our customer and colleague communications, developed capability and reviewed processes across the Group
- We've built the foundations for the adoption of hybrid ways of working and will continue to build on this with guidance and training for teams to have conversations on their future ways of working

4,309

trained Behavioural Experiments Champions

Human rights and modern slavery

The Code of Ethics and Responsibility together with the Group's Human Rights Policy statement and Modern Slavery Statement form the foundation of the Group's approach to human rights. We do not tolerate slavery, trafficking or forced labour in any part of our business or any supply chain risks across our business. With an estimated 24.9 million people in forced labour globally*, we know that complex global supply chains carry a risk of modern slavery. We have embedded a number of policies and processes to identify these risks.

The Group's approach to human rights is governed by the Responsible Business Committee. The Group's day-to-day management of and engagement on modern slavery and human rights is guided by a cross-divisional working group, which has input from functions across the Group including HR, Sourcing, Retail, Commercial Banking, and Economic Crime Prevention, as well as external human rights experts. This approach is supported by several Group policies relating to the management of issues that impact human rights through our operations such as, but not limited to:

- Group colleague policies
- Health, Safety and Fire Policy
- Group Data Policy
- Security Policy
- Harassment and Grievance Resolution Policy
- Group Compliance Policy
- Group Accountability Standards
- Speak Up (whistleblowing)
- Anti-Bribery Policy
- Group Sector Statements
- Code of Supplier Responsibility
- Customer Policy
- Product Governance Policy

The effective management of human rights and modern slavery issues relies on the integration of the human rights principles into Group guidelines and policies that set the parameters of operations for topics where there may be a human rights impact.

The human rights priorities of the Group within our direct operations are: inclusion and diversity; mental health and colleague wellbeing in the workplace; supporting vulnerable customers; tackling modern slavery; protecting customer privacy; and data security to keep our customers' money and data safe.

Modern slavery and human trafficking is included in our bespoke Fighting Economic Crime Prevention training which is mandatory for all UK colleagues to complete on an annual basis. Group-wide training is further supported by targeted training for colleagues in specific roles that are more likely to encounter modern slavery.

Helping Britain Recover Conducting our business responsibly

Human rights issues addressed by the Group's activities

Colleagues

- Non-discrimination, inclusivity and equality
- Fair remuneration
- Mental health of colleagues
- Freedom of association/collective bargaining
- Health and safety of colleagues, contractors and visitors
- Harsh or degrading treatment/harassment
- Accessibility for persons with disabilities
- Maternity and paternity protection
- Grievance mechanisms and whistleblowing

Suppliers

- Compliance with UK Modern Slavery Act and mitigation of the risk of human rights or modern slavery risks in the countries and communities where they operate
- Fair remuneration and ethical recruitment practices
- Access to effective remedy for individual victims of human rights violations
- Child labour
- Grievance and Whistleblowing mechanisms

Customers

- Economic crime including AML and counter-terrorist financing
- Data privacy and security
- Modern slavery, forced labour and human rights abuses
- Customers who are more vulnerable including due to critical illnesses, the elderly and customers with disabilities (see pages 21 to 22 of this report)
- Domestic and economic abuse victims
- Mental health of customers
- Identified environmental, social, labour and human rights high-risk sectors and excluded activities related to lending activities
- UNGC compliance for investees
- Modern slavery and forced labour in high-risk sectors such as agriculture
- Maternity and paternity protection
- Grievance mechanisms and whistleblowing

Communities

- Mental health in communities
- Domestic and economic abuse
- Drug trafficking and child exploitation
- Human trafficking

The Group is either a signatory to, or abides by, the principles of a number of international and national codes and standards relating to responsible business practices.

These include:

- The Equator Principles, the UN Principles for Responsible Investment
- The UN Global Compact, the UN Universal Declaration of Human Rights,
- The International Labour Organization's Core Labour Standards
- The UN Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking and the Principles for Sustainable Insurance

We are guided by:

- The International Bill of Human Rights
- The UN Guiding Principles on Business and Human Rights
- The International Labour Organization's (ILO) Core Labour Standards and its Tripartite Declaration of Principles

For further information on our approach to human rights and modern slavery, our Human Rights Policy Statement and Modern Slavery Statement can be found at our **Responsible Business Download Centre.**

In focus

Pan Intercultural Arts

Pan Intercultural Arts is a London-based charity that works with people who are marginalised in society, including women who have survived trafficking into the UK for prostitution or domestic slave labour. The Lloyds Bank Foundation for England and Wales funds Pan's 'Amies London' project with a three-year grant of £75,000. Amies is a therapeutic arts-based project and participants meet weekly for a year where they make friends, learn new skills and get creative together.

Annabel Rook, Amies Project Director, commented:

"Many of the women who come to us have had such a traumatic history, so they just don't believe that there's a positive future out there for them at all."

One of the charity's past members, Asma, now runs the crèche during the Amies workshops. Since completing the one-year Amies Project with the charity, Asma has also found employment and she's used her personal experience of interviewing to coach other women who come to Amies. She said:

"I understand whoever comes to Amies because I have been through the same situation and I know how it was physically and mentally. Amies, more than anything, support women with their mental health. Most of us had suicidal thoughts, now if you ask me, I say no because I have so much opportunity out there. Slowly every week I was coming I was getting that support and that knowledge because when we finish they don't just let you go just like that: they make sure that you have those links where you will get support continuously because we can't always stay here."

Pan Intercultural Arts is working on being more sustainable as a charity and exploring other sources of funding. The charity has set up a development committee following income generation consultancy support provided by the Foundation. The Foundation has also helped the charity recruit trustees from Lloyds Banking Group, through the Foundation's trustee programme, which brings additional corporate experience to the Board.

Whistleblowing – helping colleagues do the right thing

Our Group values act as a moral compass to guide decision-making alongside the FCA conduct rules. We encourage colleagues to Speak Up if something doesn't feel right, or they see inappropriate behaviour. Speak Up is there for everyone in the Group to report concerns, in confidence or anonymously. Anyone reporting a Speak Up concern, or involved in an investigation, receives support and guidance throughout and all concerns are taken seriously and dealt with sensitively. The Group's Speak Up Policy and procedures protect all colleagues from any harm or retaliation after raising a concern.

We provide colleagues with a variety of channels:

Directly with their line manager or HR representatives
The Group encourages colleagues to engage directly with their line manager or human resources representative and raise any concerns they may have

Let's Talk
The Group encourages colleagues to work through any interpersonal work issues wherever possible. Let's Talk' was introduced in 2020 and gives colleagues and managers the tools and knowledge to resolve most issues in an informal way

Speak Up
If colleagues don't feel comfortable chatting to their line manager, they are encouraged to use our dedicated, independent Speak Up process

During 2021 the Group has made additional improvements to the Group's Speak Up programme. We have established a new Group Conduct Investigations team who lead Speak Up investigations across the Group, and manage the Group's Speak Up framework. In addition, new colleague guides were introduced, helping colleagues navigate the process, and the Group has upgraded its whistleblowing site, making it as accessible and user friendly as possible.

The volume and type of concerns reported in 2020 and 2021 were influenced by the COVID-19 pandemic. Colleagues have used Speak Up to escalate their concerns about personal wellbeing, changes to working patterns and to express unease about returning to offices and branches.

Such concerns were dealt with through line management or our HR People Partners, to ensure swift and sensitive resolution. In 2021, colleagues reported 352 concerns. 79 were investigated formally, while the remainder were managed through a more appropriate route. 48 per cent of the investigations closed in 2021 were found to be substantiated and resulted in remedial action. Bullying and harassment concerns (including sexual harassment, racial harassment and managerial behaviour) were the most common type of report investigated during 2021, and accounted for 47 per cent of the investigations overall. Where cases were substantiated, appropriate action was taken to rectify the situation.

We encourage suppliers to raise any concerns directly with their supplier relationship manager. If this is not possible, they can use our confidential Speak Up service, which is available 24 hours a day, seven days a week. Further information on our approach to responsible sourcing can be found on page 63 of this report.

The Group has appointed three Non-Executive Directors as Whistleblowing Champions. Each Champion is responsible for the oversight of Speak Up arrangements in their respective legal entities, Group, Insurance and Wealth and Lloyds Bank Corporate Markets, ensuring the confidential reporting system remains a reliable and independent channel for colleagues to report suspected wrongdoing. The Whistleblowing Champions are also responsible for ensuring that our procedures protect colleagues from being victimised, should they report a concern.

Cyber security and resilience

Customers trust us to keep their money and data safe, and the Group deploys sophisticated technology to protect both. The Group works continuously to bolster defences against cyber-attacks through adopting a threat-led approach and enhancing our preventative, detective and responsive controls. We also recognise the importance of secure behaviours and continue to educate our customers and colleagues on the cyber threat.

Cyber security maintains a high level of focus right up to Board level, with regular updates to the Board and Group Risk Committees, along with a dedicated quarterly Board sub-risk forum focused on cyber security, IT resilience and operational resilience. Cyber and data security forms a part of the Group's wider operational resilience framework, which continues to enhance the Group's resilience to 'maintain the expected through the unexpected'. An ongoing focus area of the Group is to continue to embed a culture of resilience and security across the Group and its key third parties.

The Group maintains strong and practised incident management frameworks. These were invoked at the onset of COVID-19 and during 2021; the focus has been to continue capturing learnings from the pandemic to inform future ways of working. We have continued exercising our incident management frameworks and teams right up to Board level, focusing on cyber security scenarios and threats.

The Group has established frameworks for both business continuity plans and IT disaster recovery.

The Group does not currently have an external certification against a recognised security controls standard (e.g. a SOC2 report); however, this is being actively evaluated with the objective to seek this in the near future. The Group utilises a range of identified best practice guidance as inputs to our Security Policy Frameworks including the NIST cyber security framework, ISO 27000, and PCI DSS. In addition, we undertake legal, regulatory and best practice 'Horizon Scanning' to proactively identify updates to the framework or opportunities to respond to regulation, alongside our annual policy refresh cycle.

All Group colleagues and contractors must complete a four-part Security Training programme annually, which highlights the key threats and risks that colleagues face and how to reduce and avoid them. Our Group training won an award at the 2021 Learning Technology Awards. Identified colleagues complete further mandated training specific to their role or risk profile.

Recognising cyber security as a non-competitive issue, the Group collaborates externally, working in conjunction with our sector peers and government on initiatives such as the Financial Services Cyber Collaboration Centre, working with the UK Government's National Cyber Security Centre, and the Cross-Market Operational Resilience Group. We work closely with other banks recognising the importance of collaboration when it comes to security, including as part of the Cyber Defence Alliance.

In the coming months, activities will focus on the refresh and update of the Group's operational resilience strategy for the 2022–2025 period.

Helping Britain Recover Conducting our business responsibly

Treating our customers fairly

Our Group Customer Policy sets out how important it is to treat customers fairly and ensure that we're transparent in all our dealings with them. We conduct regular monitoring to assess whether or not we meet our high customer service standards and colleagues' remuneration is linked to customer outcomes.

Conduct risk and responsible product development

We believe that consumers benefit from healthy competition between providers of financial services: providers compete vigorously and fairly, striving to offer excellent service and competitive products that meet their needs.

Upholding competition law

The Group tolerates no anti-competitive practices that could lead to: interventions by competition authorities; or breaches of competition law, which may have a detrimental impact on customers or a significant financial or reputational impact on the Group.

The Group does not become involved in agreements or practices that are unlawful, such as colluding with our competitors to restrict competition or unlawfully fixing prices. We recognise that we must deal in good faith with all our trading partners including our suppliers and competitors. We recognise that competition law is not intended to stifle legitimate business. We believe that consumers benefit from healthy competition between providers of financial services and we compete vigorously and fairly, striving to offer excellent service and competitive products which meet our customers' needs.

Avoiding market abuse

We implement market abuse and personal account dealing procedures that are aligned with the UK's market abuse legislation. Market abuse, such as trading on the basis of inside information, is a criminal offence in the UK, the US and many other countries. Colleagues are personally responsible for ensuring that they comply with this policy and do not abuse the market. We have monitoring systems in place to detect instances of market abuse and procedures to ensure that any detected instances are dealt with swiftly and effectively. This includes procedures to identify and report suspicious transactions where relevant.

Responsible product development

The Group takes a range of mitigating actions with respect to conduct risk and remains focused on delivering a leading customer experience. The Group's ongoing commitment to good customer outcomes sets the tone from the top and supports the development of the right customer-centric mindset, strengthening links between actions to support conduct, culture and customer and enabling more effective control management.

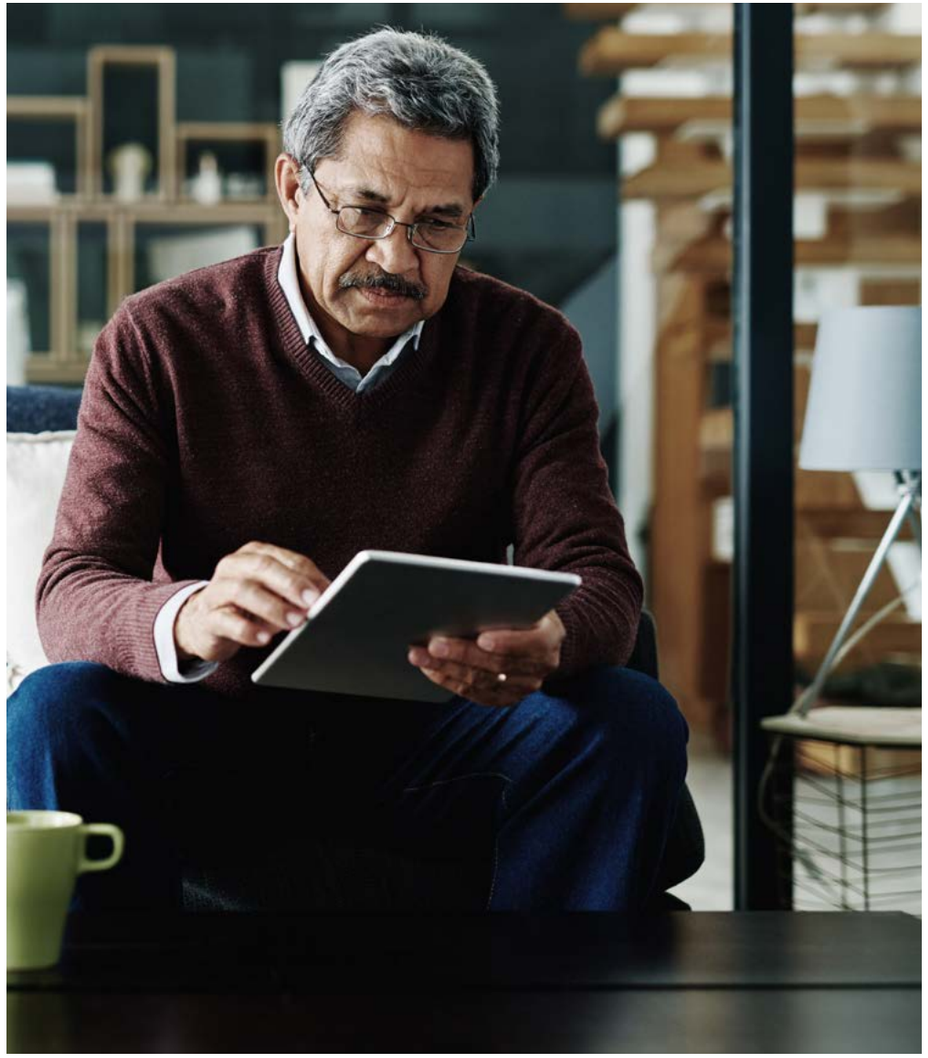
A simplified and enhanced Customer Policy and procedures are in place throughout the Group to ensure appropriate controls and processes that deliver fair customer outcomes, and support market integrity and competition requirements. Customer needs are considered through divisional customer plans, which include an integrated conduct lens, and the plans are reviewed and challenged by the Group Customer First Committee.

Continuous embedding of the customer vulnerability framework aligned with the FCA guidance on fair treatment of vulnerable customers remains a key focus. Development and continued oversight of the implementation of the vulnerability strategy remains through the Group Customer Vulnerability Committee operating at a senior level to prioritise change, drive implementation and ensure consistency across the Group.

A robust product governance framework ensures that our products meet customer needs, deliver fair value and that the design and management of changes to a product offer good outcomes including those driven by the climate agenda. All risks are identified and appropriately managed throughout the life of the product with review and challenge by the Divisional Committees.

The Group takes part in active engagement with regulatory bodies and other stakeholders to develop an understanding of concerns related to customer treatment, effective competition and market integrity, to ensure that the Group's strategic conduct focus continues to meet evolving stakeholder expectations.

More information related to our approach and management of conduct risk can be found in our **2021 Annual Report and Accounts**



Customer complaints

Following on from our work during the pandemic, 2021 has been focused on recovery, improving our customers' experience and developing a more resilient operation that best supports our business goals.

During 2020, because of challenges caused by the pandemic, we had a considerable increase in the number of customers waiting for a response from us regarding complaints. This peaked in July 2020 at 31,000 complaints outstanding, and we have since worked extremely hard to reduce our level of outstanding complaints. As a result of this effort, we had reduced this number to just over 8,000 complaints by October 2021, and in addition reduced our complaints outstanding for over eight weeks to fewer than 200, a reduction of over 21 per cent.

New ways of working

We have continued to challenge our ways of working and our internal processes to test new means of contacting our customers, making their journey effortless. This includes a roll-out of updated SMS messages, as well as testing using email as a means of communication to keep our customers informed of progress and to deliver their final responses. Although primarily we are responding to our customers' demand for digital choices, our switch to SMS and email reduces our dependency on paper and supports our sustainability goals to achieve net zero carbon emissions by 2030 in our operations.

We have examined the way we deliver outcomes to customers and tested different ways of saying sorry when we get things wrong; encouraging an empathetic complaint handling approach and empowering our colleagues to put things right. This has been in response to direct feedback from our customers around what is important to them when resolving a complaint.

Training

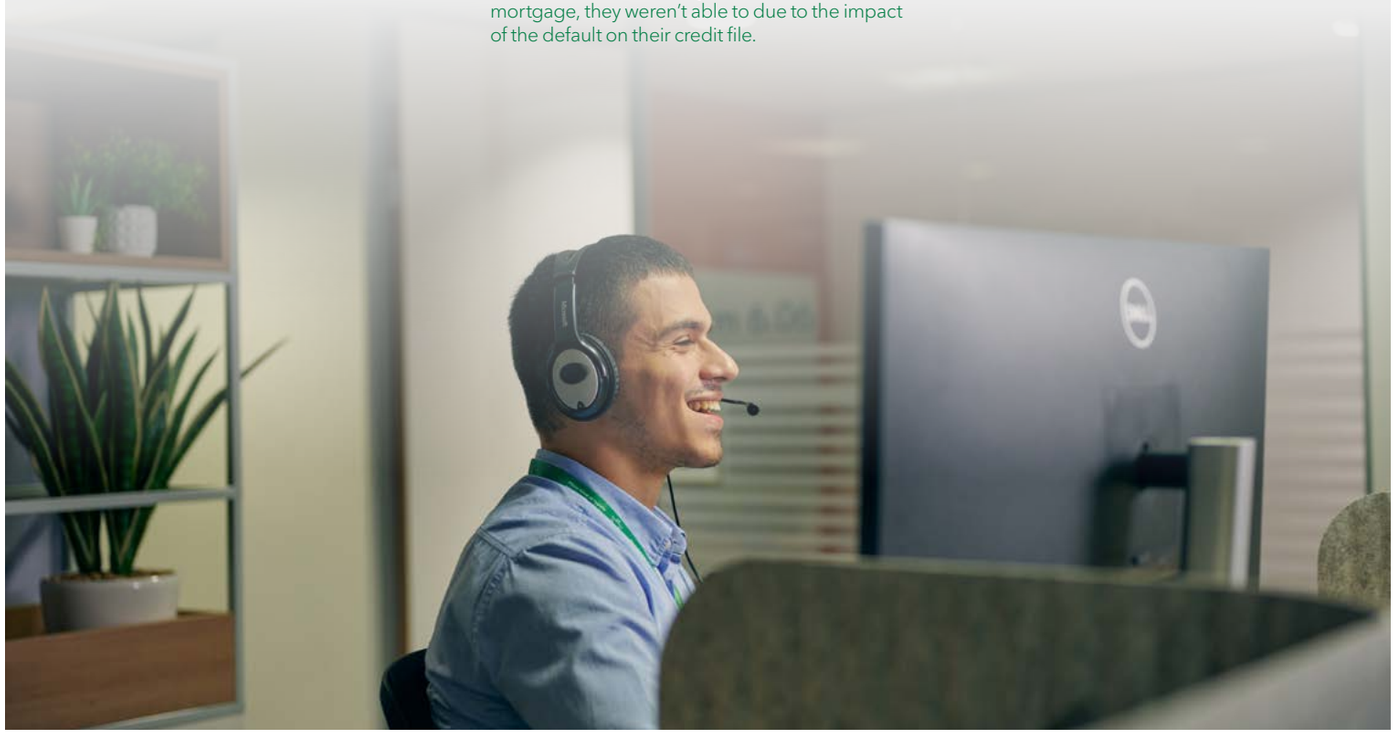
We have maintained our focus on improving support for vulnerable customers and rolled out additional training to all complaints colleagues. This has been helped by a new way for customers to disclose a vulnerability, and a tool for colleagues to provide appropriate support for them. The work has been supported by an updated approach focusing on great conversations to help us identify the right action and enable us to reduce financial harm for our customers. We have faced a challenging environment in 2021 as our customers' external environment has changed rapidly and frequently but we have done our utmost to continue to deliver the right outcome as quickly as possible.

In focus

Supporting our customers when they are in need

We always aim to get things right first time for our customers but where we don't, the complaints process can be a way to ensure we support our customers as best we can. In a recent example, our customer had been in an abusive relationship where their partner had made purchases on their credit card without the customer's knowledge. This meant the customer missed payments which led to a default being recorded. Once the customer became aware, they paid off the balance of the card. However, when they tried to obtain a mortgage, they weren't able to due to the impact of the default on their credit file.

We initially declined to remove the default but, knowing this wasn't the right outcome for the customer, convened a team to review the case again. We knew that if we wanted to put our customer in a position to move forward from their relationship, we would need to support the customer to get a property. We worked with our stakeholders across the Group to make sure we got the right result for the customer and they were extremely emotional and grateful for our support.



Economic crime

The Group's economic crime prevention strategy is based on the principle of intelligence and data-led risk management, to minimise customer impact while reducing the harm to our communities caused by criminals and terrorists.

We are committed to managing the economic crime risks associated with our business and operate systems and controls which are appropriate and effective within our stated risk appetite, and which meet legal and regulatory requirements. The Group is playing its part, building its capabilities, and implementing a clear vision to protect our customers, the economy and the bank from economic crime.

Criminal exploitation of evolving payment technologies and cyber currencies require an agile response. The Group's adoption of a risk-based approach to managing and mitigating economic crime risk ensures compliance with applicable regulations via a control framework which focuses on those customers, products, channels and jurisdictions that carry heightened risk.

Policy framework and colleague training

We introduced a combined Economic Crime Prevention Policy during the first half of 2021, bringing together the disciplines of fraud, anti-money laundering, anti-bribery and sanctions into one single core policy applicable and mandatory to all business areas. The policy is designed to ensure compliance with the relevant legislation and regulations and sets out the fundamental requirements for business areas to perform which includes risk assessments and implementation of proportionate controls and ensures independent oversight is maintained to assure the efficacy of such controls.

The Economic Crime Prevention mandatory training course reflects the key policy requirements and is undertaken annually by all colleagues as part of colleague mandatory training.

In focus

Assisting victims of fraud

The Group has used its in-house team of 'mule hunters', since 2017, to identify and stop the movement of money from scams. The team have blocked 38,348 accounts suspected of mule activity and frozen £21 million in victims' funds during 2021, and the Group has continued to work closely with peer banks to ensure the timely return of funds. The Group continues to work closely with government and advisory bodies to minimise the impact of scams on our customers.

External engagement and partnerships

City of London Police

In 2018, the Group agreed to form a partnership with the City of London Police (CoLP) to fight economic crime across the UK, committing £1.5 million to support the delivery of several joint initiatives. Due to its success, the Group has extended the partnership for a fourth year. The partnership was selected as a finalist in the 2021 Tackling Economic Crime Awards for the Outstanding Partnership Award. Our funding has enabled the expansion of the CoLP's intelligence development function, which is providing a tangible coordination role across national, regional, and local policing to address high harm fraud.

Successes have included:

- Developing collaboration with the dating industry resulting in the removal of suspect profiles, protecting over 10,000 victims of romance fraud
- A partnership with law enforcement in Ghana, identifying and repatriating funds stolen through the targeting of UK victims of romance fraud, delivering financial disruptions of over £300,000 and improving international intelligence sharing
- Significant support to campaigns directed by the National Economic Crime Centre, including courier fraud where a total of 300 investigations have been instigated and 190 arrests made
- Training – our funding and expertise has enabled the build of a new online learning platform. The new provision of material to support fraud investigation in mainstream policing has addressed the longstanding omission of fraud content within existing crime investigation training and is delivered locally and has professionalised fraud investigation
- 'Cyber Detectives', our jointly created cyber fraud training programme aimed at primary school children, now forms part of the Personal Social Health and Economics element of the national curriculum in England and over 3,000 schools have downloaded content to date

Stop Scams UK

The Group is an active supporter of Stop Scams UK and works alongside the Global Cyber Alliance and other cross-sector partners to fight cybercrime. Working in partnership we have created 'Call 159', a new telephone hotline providing customers with a number to call whenever they feel they are being a victim of a scam or to check the authenticity of a caller.

North East Business Resilience Centre

The Group is a member of the North East Business Resilience Centre (NEBRC), a not-for-profit organisation bringing together experts across the cyber and fraud communities to improve cyber safety and reduce cybercrime by promoting awareness and delivering training to small businesses (often with fewer than 10 employees) and the local community. In 2021 the NEBRC mobilised a £100,000 SME programme for Leeds City Region Enterprise Partnership. Our Group Director of Economic Crime Prevention is Chair of the Board at the NEBRC.

Online fraud

We are an active member of the new Online Fraud Steering Group, working collectively with cross-sector industry partners to move the dial on reducing online fraud, deliver tangible outcomes and support the UK Government Fraud Action Plan.

In 2020 and 2021 the Banks' Fraud Threat Desk completed an assessment of the threat to the Group from the Bounce Back Loan Scheme, pioneering new ways of sharing the information and intelligence with external bodies, such as peer banks, to coordinate a joined-up threat mitigation approach.

Illegal trade in wildlife

The illegal wildlife trade (IWT) is valued between 50-150 billion USD per year and is one of the five most lucrative global crimes that benefit organised criminal gangs. The Group continues to be an active member of the United For Wildlife – Financial Taskforce.

In 2021, The Group was part of a small working group that developed a new IWT risk assessment methodology for use by the 45 Global Bank taskforce members. The risk assessment enables international banks and other institutions to consistently assess their inherent and residual risk exposure to the IWT based on jurisdiction, products and transaction flows. It is hoped that a focused, consistent approach across the industry will help disrupt the flow of money associated with the IWT.

Prevention of modern slavery and human trafficking

The Group continues to make modern slavery and human trafficking (MSHT) a primary area of focus, striving to be at the vanguard of intelligence development in order to protect our customers and other members of society from harm.

During 2021, the Group conducted investigations and assessments on various elements of modern slavery and human trafficking and developed specific typologies within the economic crime processes. The Group shared valuable intelligence outcomes with law enforcement bodies as well as internal stakeholders and business areas to further aid the prevention of modern slavery and human trafficking in the lending activities of the Group. The Group is an active member of the Public Private Partnership Expert Working Group for Modern Slavery and Human Trafficking and in 2021 led and coordinated the development of a cross-industry alert on labour exploitation in the agriculture sector.

The Group is engaged with the National Crime Agency's Project AIDANT initiatives, a series of multi-agency operational intensifications to tackle modern slavery and human trafficking, where the bank has been able to develop and use network analysis capabilities to share information for periods of law intensification.

Further information on our approach to **human rights and modern slavery can be found page 57 of this report**

Helping Britain Recover Conducting our business responsibly

Responsible sourcing

Our suppliers and supply chains are integral to how we fulfil our customer needs and are comprised of approximately 2,600 active suppliers, the majority of which are in professional services sectors such as IT, cyber, operations, management consultancy, legal, HR, marketing and communications. In 2021 our addressable supplier expenditure was £4.6 billion and the majority of our third-party spend was with suppliers incorporated in the UK.

Policy framework

The Sourcing and Supply Chain Management Policy applies to all businesses, divisions, Group functions and legal entities across the Group, whether based in the UK or overseas, including joint ventures where agreed. This policy has been designed to assist in managing the inherent risk associated with sourcing, outsourcing and managing our suppliers and supply chain. The Group requires suppliers to adhere to relevant Group policies and to comply with our Code of Supplier Responsibility. We want our suppliers to operate in a responsible and sustainable manner and our Code sets out the key social, ethical and environmental practices and behaviours we expect of them.

In 2021, we undertook a review of our Code to ensure it remains aligned to best practice and that supplier adherence to it is addressed through our sourcing and supply chain management processes which includes:

- A detailed compliance questionnaire across approximately 1,100 managed suppliers through the Financial Supplier Qualification System (FSQS)
- Risk-based assurance assessments across our most critical suppliers

We encourage suppliers to raise any concerns directly with their supplier relationship manager. If this is not possible, they can use our confidential Speak Up service, which is available 24 hours a day, seven days a week.

For more information on our **Speak Up service** please see **page 59** of this report

Sustainability in the supply chain

We have piloted a specialist third-party assessment tool with a small selection of suppliers to provide insight on their management of issues across the key themes of labour and human rights, environment, ethics and sustainable procurement. In addition, we have used predictive sustainability analysis to help further understand our inherent risk across our supply base. In 2022, we plan to further embed this insight into our processes and increase our reach through a targeted supplier selection strategy.

From an environmental perspective we have taken steps to develop our approach to estimating our Scope 3 supply chain emissions (Purchased Goods and Services, Capital Goods and Upstream Transportation & Distribution). We have, in addition, looked to gain greater insight into our supply chain by understanding those suppliers that report carbon emissions via CDP and/or have set (or committed to set) Science-Based Targets.

In 2022 this will also enable us to take a more targeted approach to those suppliers that have the largest impact on our carbon emissions with the aim of working collaboratively to reduce them. More information on our Scope 3 emissions and climate-related performance can be found in our 2021 Climate Report.

In 2021 we invested in the capacity and capability of our Supply Chain Sustainability team and completed a review of our sourcing and supply chain management processes with the aim of identifying further opportunities to drive sustainability through our supply chain. We expect to use the outputs from this activity to evolve our approach to supply chain sustainability in 2022.

Public affairs and policy

With millions of retail and commercial customers across a range of historic brands, providing banking, insurance and other financial services, the Group is often approached by politicians and other policy-makers to provide our views and help shape public policy.

We seek to address risks and opportunities emerging from legislation, regulation and wider political activity in the interests of our customers, colleagues and shareholders. We do that by engaging with elected representatives at every level, including Parliament, the devolved institutions and local government, as well as civil servants, regulators, trade associations and think tanks, and we do so in a way that is consistent with our values and that meets the expectations of society.

Political donations and expenditure

Political donations and expenditure are governed by legislation with which we and our employees must comply. It is our policy not to make political donations to, or campaign on behalf of, any political party in any country.

The Companies Act 2006 sets out what constitutes political donations and expenditure. The definitions are drawn widely and may cover activities that are an accepted part of engaging with our stakeholders but are not designed to support any political party or to influence public support for any political party. As such, at each Lloyds Banking Group Annual General Meeting we seek authority from shareholders to incur political expenditure up to a predetermined limit. This authority is a precautionary measure to ensure that we can continue to support our communities and put forward our views without inadvertently breaching the legislation. More information on our approach to public affairs and policy can be found on our website.

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Executive reward outcomes

The Group wants to ensure that reward is clearly linked to the purpose and culture of the Group as well as meeting its strategic goals. There are a number of measures within the balanced scorecard that support our focus on ESG related activity and goals.

The balanced scorecard is considered to be a transparent and effective tool, enabling the Remuneration Committee to assess the performance of a broad and balanced set of business objectives. The outcome of which is used to determine variable (both short-term and long-term) reward outcomes for our Executive Directors. Further information is available on page 104 of the 2021 Annual Report and Accounts.

Engaging with our shareholders on remuneration

Consistent feedback suggested the structure of our 2020 balanced scorecard with 15 equally weighted measures, made it difficult for shareholders to determine how these measures clearly linked to the Group's strategy and performance. For 2021, the scorecard was simplified to seven performance measures, weighted equally between areas of financial and non-financial, with 15 per cent of the scorecard assessing progress on specific ESG metrics for our climate and diversity ambitions.

We have evolved our Group scorecard for 2022 by bringing greater focus on our climate change ambitions and ensure our purpose of Helping Britain Prosper is at the heart of everything we do. For 2022, ESG metrics aligned directly to our public commitments on climate change and promoting inclusion and diversity will account for 17.5 per cent of the scorecard, up from 15 per cent in 2021. Overall, our scorecard continues to have a balance of financial (50 per cent) and non-financial (50 per cent) measures when assessing performance.

We will continue to review the scorecard to reflect market practices and review our remuneration policies as these develop along with our Group strategy.

Our approach to tax

Tax is one of the ways in which businesses contribute to the societies in which they operate, and we are proud to be among the UK's highest payers of corporate taxes.

In 2021, we paid £2.1 billion of cash taxes. This was primarily on business profits, VAT on goods and services needed to run our business, bank levy and employer social security on staff salaries. In addition, we collected £1.6 billion of cash taxes primarily from payroll taxes and customer product taxes.

Appropriate, prudent and transparent tax behaviour is a key component of corporate responsibility. We comply with the HMRC code of practice on taxation for banks. We do not interpret tax laws in a way that we believe is contrary to the intention of Parliament, and we do not promote tax avoidance products to our customers.

We want to pay the taxes due on the profits we make, in line with the letter and spirit of the law.

More information about the taxes we pay, and the economic value we generate for the UK can be found in the Lloyds Banking Group tax strategy document available in our **Responsible Business Downloads Centre.**

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