

Independent Limited Assurance Report to the Directors of Lloyds Banking Group PLC

Independent Limited Assurance Report by Deloitte LLP to the Directors of Lloyds Banking Group PLC (“LBG” and “the Bank”) on:

- selected sustainability metrics (the “Selected ESG metrics”) within the Annual Report and Accounts, Sustainability Report and Sustainability Metrics Data Sheet of LBG; and
- selected information required by the United Nations Environment Program Finance Initiative (“UNEP FI”) Principles for Responsible Banking (“PRB”) Framework (the “Selected PRB information”) reported by LBG in its UNEP FI Principles for Responsible Banking Self-Assessment Report (the “PRB report”) within the Sustainability Reporting Framework Index.

Collectively the “Selected Information” for the year ended 31 December 2023.

1 Our assurance conclusion

Based on our procedures described in this report, and evidence we have obtained, nothing has come to our attention that causes us to believe that:

- the Selected ESG metrics for the year ended 31 December 2023, within the Annual Report and Accounts, Sustainability Report and Sustainability Metrics Data Sheet has not been prepared, in all material respects, in accordance with the Sustainability Metrics Basis of Reporting defined by the directors as set out at <https://www.lloydsbankinggroup.com/who-we-are/downloads.html>; and
- the Selected PRB information for the year ended 31 December 2023, within the UNEP FI Principles for Responsible Banking Self-Assessment Report, has not been prepared, in all material respects, in accordance with the Reporting Criteria set out in the Reporting and self-assessment requirements in the PRB Report.

2 Scope of our work

Lloyds Banking Group PLC has engaged us to perform an independent limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) (“ISAE 3000 (Revised)”) and International Standard on Assurance Engagements 3410 (“ISAE 3410”), issued by the International Auditing and Assurance Standards Board (“IAASB”) and our agreed terms of engagement.

The Selected ESG Metrics in scope of our engagement, as indicated with a v in the Annual Report and Accounts, Sustainability Report and Sustainability Metrics Data Sheet published for the year ended 31 December 2023, is as follows:

Selected ESG Metrics	Reported Value	Unit of Measurement	Reporting Period
Environment			
Total Energy Consumption	368	Gigawatt hours (GWh)	For the year ended 30 September 2023
Total CO2 emissions			

Selected ESG Metrics	Reported Value	Unit of Measurement	Reporting Period
Market-based	123,499	Tonnes CO ₂ e	For the year ended 30 September 2023
Location based	177,599	Tonnes CO ₂ e	For the year ended 30 September 2023
Scope 1 emissions	22,464	Tonnes CO ₂ e	For the year ended 30 September 2023
Scope 2 emissions			
Market-based	10	Tonnes CO ₂ e	For the year ended 30 September 2023
Location based	54,110	Tonnes CO ₂ e	For the year ended 30 September 2023
Scope 3 emissions			
Operational emissions (Categories 3, 5, 6, and 7)	101,025	Tonnes CO ₂ e	For the year ended 30 September 2023
Supply chain emissions (Categories 1, 2 and 4)	785,237	Tonnes CO ₂ e	For the year ended 30 September 2023
Supply chain emissions (Categories 1, 2 and 4)	679,326	Tonnes CO ₂ e	For the year ended 30 September 2022
Financed Emissions (Category 15)			
<i>Bank</i>			
Oil and Gas			For the year ended 31 December 2022
Absolute emissions (scope 1 and 2)	0.2	MtCO ₂ e	
Absolute emissions (scope 3)	3.1	MtCO ₂ e	
PCAF data quality score (scope 1 and 2)	3.8	Score 1-5	
PCAF data quality score (scope 3)	4.2	Score 1-5	
Power Generation			
Absolute emissions (scope 1 and 2)	0.2	MtCO ₂ e	
Physical emissions intensity	121	gCO ₂ e/kWh	
PCAF data quality score (scope 1 and 2)	3.0	Score 1-5	
Automotive (OEMs)			
Absolute emissions (scope 1 and 2)	0.2	MtCO ₂ e	
Absolute emissions (scope 3)	10.6	MtCO ₂ e	
Physical emissions intensity	232	gCO ₂ e/vkm	
PCAF data quality score (scope 1 and 2)	2.0	Score 1-5	
PCAF data quality score (scope 3)	2.0	Score 1-5	
Transport – aviation			
Absolute emissions (scope 1 and 2)	0.5	MtCO ₂ e	
Absolute emissions (scope 3)	0.1	MtCO ₂ e	
Physical emissions intensity	1,003	gCO ₂ e/rtk	
PCAF data quality score (scope 1 and 2)	2.00	Score 1-5	
PCAF data quality score (scope 3)	2.00	Score 1-5	
UK residential mortgages			
Absolute emissions (scope 1 and 2)	5.1	MtCO ₂ e	
Physical emissions intensity	44	kgCO ₂ e/m ²	
PCAF data quality score (scope 1 and 2)	3.4	Score 1-5	

Selected ESG Metrics	Reported Value	Unit of Measurement	Reporting Period
Motor			
Absolute emissions (scope 1 and 2)	2.7	MtCO ₂ e	
Physical emissions intensity (cars)	143	gCO ₂ e/km	
Physical emissions intensity (vans)	190	gCO ₂ e/km	
PCAF data quality score (scope 1 and 2)	2.1	Score 1-5	
Transport - road			
Absolute emissions (scope 1 and 2)	0.2	MtCO ₂ e	
Absolute emissions (scope 3)	0.1	MtCO ₂ e	
Physical emissions intensity	129	gCO ₂ e/pkm	
PCAF data quality score (scope 1 and 2)	2.2	Score 1-5	
PCAF data quality score (scope 3)	3.2	Score 1-5	
Agriculture			
Absolute emissions (scope 1 and 2)	6	MtCO ₂ e	
PCAF data quality score (scope 1 and 2)	4.9	Score 1-5	
Oil and Gas			
Absolute emissions (scope 1 and 2)	0.8	MtCO ₂ e	For the year ended 31 December 2019
Absolute emissions (scope 3)	7.9	MtCO ₂ e	
PCAF data quality score (scope 1 and 2)	3.1	Score 1-5	
PCAF data quality score (scope 3)	4	Score 1-5	
Power Generation			
Absolute emissions (scope 1 and 2)	0.4	MtCO ₂ e	For the year ended 31 December 2020
Physical emissions intensity	276	gCO ₂ e/kWh	
PCAF data quality score (scope 1 and 2)	3.0	Score 1-5	
Automotive (OEMs)			
Absolute emissions (scope 1 and 2)	0.1	MtCO ₂ e	For the year ended 31 December 2020
Absolute emissions (scope 3)	7.4	MtCO ₂ e	
Physical emissions intensity	231	gCO ₂ e/vkm	
PCAF data quality score (scope 1 and 2)	2.0	Score 1-5	
PCAF data quality score (scope 3)	2.0	Score 1-5	
Aviation			
Absolute emissions (scope 1 and 2)	0.1	MtCO ₂ e	For the year ended 31 December 2019
Absolute emissions (scope 3)	0	MtCO ₂ e	
Physical emissions intensity	1,028	gCO ₂ e/rtk	
PCAF data quality score (scope 1 and 2)	2.1	Score 1-5	
PCAF data quality score (scope 3)	3.1	Score 1-5	
Homes (UK residential mortgages)			
Absolute emissions (scope 1 and 2)	5.6	MtCO ₂ e	For the year ended 31 December 2020
Physical emissions intensity	46	kgCO ₂ e/m ²	
PCAF data quality score (scope 1 and 2)	3.7	Score 1-5	
Motor			
Absolute emissions (scope 1 and 2)	4.2	MtCO ₂ e	For the year ended 31 December 2018
Physical emissions intensity (cars)	150	gCO ₂ e/km	
Physical emissions intensity (vans)	198	gCO ₂ e/km	
PCAF data quality score (scope 1 and 2)	2.2	Score 1-5	

Selected ESG Metrics	Reported Value	Unit of Measurement	Reporting Period
Transport - road			
Absolute emissions (scope 1 and 2)	0.2	MtCO ₂ e	For the year ended 31 December 2019
Absolute emissions (scope 3)	0.2	MtCO ₂ e	
Physical emissions intensity	165	gCO ₂ e/pkm	
PCAF data quality score (scope 1 and 2)	2.4	Score 1-5	
PCAF data quality score (scope 3)	2.8	Score 1-5	
Agriculture			
Absolute emissions (scope 1 and 2)	6.3	MtCO ₂ e	For the year ended 31 December 2021
PCAF data quality score (scope 1 and 2)	4.9	Score 1-5	
Commercial and residential real estate			
Absolute emissions (scope 1 and 2)	1	MtCO ₂ e	For the year ended 31 December 2021
Physical emissions intensity	45	gCO ₂ e/m ²	
PCAF data quality score (scope 1 and 2)	4.9	Score 1-5	
<i>Scottish Widows</i>			
Carbon Footprint	77.4	tCO ₂ /£ million	For the year ended 31 December 2022
PCAF Data Quality Score	2.4	Score 1-5	
Carbon Footprint	116.1	tCO ₂ /£ million	For the year ended 31 December 2019
PCAF Data Quality Score	2.3	Score 1-5	
Diversity and Inclusion			
% of senior roles held by women (Grades F+)	40.1	%	As at 31 December 2023
% of senior roles held by ethnic minority colleagues (Grades F+)	11.3	%	As at 31 December 2023
% of senior roles held by Black heritage colleagues (Grades F+)	1.7	%	As at 31 December 2023
Sustainable financing and investment targets			
Commercial Banking: Sustainable finance for corporate and institutional customers	15.8	£ billion	Issued between 1 January 2022 to 31 December 2023
Motor: Financing for EV and plug-in hybrid electric vehicles	5.7	£ billion	Lending provided between 1 January 2022 to 31 December 2023
EPC A/B mortgage lending	7.5	£ billion	Lending provided between 1 January 2022 to 30 September 2023
Scottish Widows: Discretionary investment in climate-aware strategies	21.7	£ billion	As at 31 December 2023
Scottish Widows: Discretionary investment in climate-solution	1.7	£ billion	As at 31 December 2023

The Selected ESG metrics, consisting of the metrics as listed in the above, needs to be read and understood together with the Sustainability Metrics Basis of Reporting as set out at <https://www.lloydsbankinggroup.com/who-we-are/downloads.html>.

The requirements for the preparation and publishing of the Selected PRB Information within the UNEP FI Principles for Responsible Banking Self-Assessment Report in respect of the PRB Framework are established by the [“Guidance for banks”](#) (April 2022) and [“Reporting and Self-Assessment Template”](#) (October 2022) (“guidance”) published by the UNEP FI. The guidance requires the directors of Lloyds Banking Group PLC to obtain a Limited Assurance Report on the following discrete elements of the entity’s PRB report for the reporting year ended 31 December 2023, as indicated with a ✓ in the PRB report reported by the Bank.

- 2.1 Impact Analysis;
- 2.2 Target Setting;
- 2.3 Target Implementation and Monitoring; and
- 5.1 Governance Structure for Implementation of the Principles

The guidance requires Lloyds Banking Group PLC to publish other information within its PRB report. This other information is not marked with a ✓ and is not the subject of this Assurance Report.

Inherent limitations of the Selected Information

We obtained limited assurance over the preparation of the Selected Information in accordance with the Applicable Criteria and the Sustainability Metrics Basis of Reporting. Inherent limitations exist in all assurance engagements.

Any internal control structure, no matter how effective, cannot eliminate the possibility that fraud, errors or irregularities may occur and remain undetected and because we use selective testing in our engagement, we cannot guarantee that errors or irregularities, if present, will be detected.

The self-defined Basis of Reporting, the nature of the Selected ESG metrics, and absence of consistent external standards allow for different, but acceptable, measurement methodologies to be adopted which may result in variances between entities. The adopted measurement methodologies may also impact comparability of the Selected ESG metrics reported by different organisations and from year to year within an organisation as methodologies develop.

We draw your attention to the specific limitations, due to the nature of the Selected Information, set out in the “Key procedures performed” section below.

Directors’ responsibilities

The Directors are responsible for preparing an Annual Report which complies with the requirements of the Companies Act 2006 and for being satisfied that the Annual Report, taken as a whole, is fair, balanced and understandable.

The Directors are also responsible for:

- Selecting and establishing the Basis of Reporting.
- Preparing, measuring, presenting and reporting the Selected Information in accordance with the Basis of Reporting.
- Publishing the Basis of Reporting publicly in advance of, or at the same time as, the publication of the Selected Information.
- Designing, implementing, and maintaining internal processes and controls over information relevant to the preparation of the Selected Information to ensure that they are free from material misstatement, including whether due to fraud or error.

- Providing sufficient access and making available all necessary records, correspondence, information and explanations to allow the successful completion of the Services.

3 Our responsibilities

We are responsible for:

- Planning and performing procedures to obtain sufficient appropriate evidence in order to express an independent limited assurance conclusion on the Selected Information.
- Communicating matters that may be relevant to the Selected Information to the appropriate party including identified or suspected non-compliance with laws and regulations, fraud or suspected fraud, and bias in the preparation of the Selected Information.
- Reporting our conclusion in the form of an independent Limited Assurance Report to the Directors.

Our independence and competence

In conducting our engagement, we complied with the independence requirements of the FRC's Ethical Standard and the ICAEW Code of Ethics. The ICAEW Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We applied the International Standard on Quality Management 1 ("ISQM 1") issued by the Financial Reporting Council. Accordingly, we maintained a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Key procedures performed

We are required to plan and perform our work to address the areas where we have identified that a material misstatement in respect of the Selected Information is likely to arise. The procedures we performed were based on our professional judgment. In carrying out our limited assurance engagement in respect of the Selected Information, we performed the following procedures:

The Selected Information consists of Selected ESG Metrics and Selected PRB information.

In carrying out our limited assurance engagement in respect of Selected ESG Metrics, we performed the following procedures:

- Evaluated the suitability of the criteria published in the Sustainability Metrics Basis of Reporting as the basis for preparing the Selected ESG Metrics.
- Performed analytical review procedures to understand the underlying subject matter and identify areas where a material misstatement of the Selected ESG Metrics is likely to arise.
- Through inquiries of management, obtained an understanding of the Bank, its environment, processes and information systems relevant to the preparation of the Selected ESG Metrics sufficient to identify and further assess risks of material misstatement in the Selected ESG Metrics, and to provide a basis for designing and performing procedures to respond to assessed risks and to obtain limited assurance to support a conclusion.
- Through inquiries of management, obtained an understanding of internal controls relevant to the Selected ESG Metrics, the quantification process and data used in preparing the Selected ESG Metrics, the methodology for gathering qualitative information, and the process for preparing and reporting the Selected ESG Metrics. We did not evaluate the design of particular internal control activities, obtain evidence about their implementation nor test their operating effectiveness.

- Through inquiries of management, considered whether an external expert has been used in the preparation of the Selected ESG Metrics, then evaluated the competence, capabilities and objectivity of that expert in the context of the work performed and also the appropriateness of that work as evidence.
- Inspected documents relating to the Selected ESG Metrics, including board committee minutes and, where applicable, internal audit outputs to understand the level of management awareness and oversight of the Selected ESG Metrics.
- Made inquiries in relation to the activities of significant third parties that perform key controls relevant to the Selected ESG Metrics. Note that this did not include tests of controls due to the nature of a limited assurance engagement.
- Performed procedures over the Selected ESG Metrics, including recalculation of relevant formulae used in manual calculations and assessed whether the data has been appropriately consolidated.
- Performed procedures over underlying data on a statistical sample basis to assess whether the data has been collected and reported in accordance with the Basis of Reporting, including verifying to source documentation.
- Performed procedures over the Selected ESG Metrics, including assessing management's assumptions and estimates.
- Assessed whether accumulated misstatements and control deficiencies were material
- Read the narrative accompanying the Selected ESG Metrics with regard to the Basis of Reporting, and for consistency with our findings.
- For Financed Emissions reported prior to the year ended 31 December 2021, our procedures were limited to:
 - Inquiring of management as to how underlying data has been collected and reported in accordance with the Basis of Reporting;
 - On a statistical sample basis, verifying market data used to source documentation and reperformance of the calculation; and
 - Reconciling amounts reported to underlying financial and accounting records.

We performed our engagement to obtain limited assurance over the preparation of the Selected ESG metrics in accordance with the Sustainability Metrics Basis of Reporting. We draw your attention to the following specific limitations:

- The supply chain emissions metric (Scope 3 Categories 1, 2 and 4) listed above include information provided by suppliers and third-party sources. Our procedures did not include obtaining assurance over the information provided by suppliers or third parties.
- The financed emissions metrics (Scope 3 Category 15) listed above include information provided by third-party sources. Our procedures did not include obtaining assurance over the information provided by third parties.

In carrying out our limited assurance engagement in respect of the Selected PRB Information, we performed the following procedures:

- Planned our procedures which were informed by the "Guidance for assurance providers – Providing limited assurance for report - Version 2" (October 2022) published by UNEP FI in November 2022, considering the Bank's stage of implementation of the Principles for Responsible Banking. The procedures performed as outlined below do not necessarily provide the confidence level outlined by UNEP FI's Guidance for assurance, however they are consistent with the level of assurance normally obtained by a practitioner in a Limited Assurance engagement under ISAE 3000 (Revised).

- Conducted interviews with process owners and internal stakeholders to understand the processes and control activities for measuring, reporting, and presenting information in the Bank's PRB report.
- Through inquiries of process owners and internal stakeholders, obtained and reviewed supporting evidence to assess whether disclosures within the Selected PRB Information in the Bank's PRB report reflect the Bank's assessment of the stage of implementation of the Principles.
- In respect of Principle 2.1 (Impact analysis), based on inquiries made and information obtained and reviewed, we checked that the Bank's business areas and scope are clearly described. We reconciled the portfolio composition to management information and checked that challenges and priorities have been analysed, including the rationale for business areas where the analysis was not performed. We also checked that the Bank has disclosed the method for determining its impact areas and has selected what was determined as the two most significant areas of impact. For the two impact areas where performance has been measured (tackling climate change and building a more inclusive future for people and businesses), we reconciled to published information referenced in the response and to supporting management information. Finally, we checked to supporting evidence, including to meeting minutes, that the stated governance process was followed.
- In respect of Principle 2.2 (Target setting), based on inquiries made and information obtained and reviewed, we checked that the Bank sets targets for both of its significant impact areas (tackling climate change and building a more inclusive future for people and businesses) and that the targets are linked to that those impact areas. We checked that the Bank has identified frameworks to support the setting of their targets and has explained how targets contribute to relevant goals. Further, for the impact areas where targets have been set (tackling climate change and building a more inclusive future for people and businesses), we checked that the base year for targets is no more than two full reporting years prior to the year when the targets have been set and that the targets are Specific, Measurable, Achievable, Relevant and Time-bound. Where the base year is more than two full reporting years prior to the year when the target has been set, we have obtained the rationale for this choice of baseline from management.
- In respect of Principle 2.3 (Target implementation and monitoring), based on inquiries made with process owners and internal stakeholders, we obtained and reviewed supporting evidence to assess whether disclosures within the selected responses in the Bank's PRB report reflect the Bank's assessment of the stage of implementation of the Principle and stage of monitoring of that implementation.
- In respect of Principle 5.1 (Governance Structure for Implementation of the Principles), based on inquiries made and information obtained and reviewed, we checked consistency to supporting evidence, including organisation charts and meeting minutes with that of the disclosures of the Bank's governance structure for implementation of the Principles. We checked that there is oversight over the implementation and monitoring and that the structure is in line with existing governance structures as defined by the Bank. Further, we checked that the Responsible Business Committee obtained information on the Bank's stage of implementation of the Principles for Responsible Banking on an annual basis.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

4 Use of our report

This report is made solely to the Directors of Lloyds Banking Group PLC in accordance with ISAE 3000 (Revised), ISAE 3410 and our agreed terms of engagement. Our work has been undertaken so that we might state to the Directors of Lloyds Banking Group PLC those matters we have agreed to state to them in this report and for no other purpose.

Without assuming or accepting any responsibility or liability in respect of this report to any party other than Lloyds Banking Group PLC and the Directors of the Bank, we acknowledge that the Directors of the Bank may choose to make this report publicly available for others wishing to have access to it, which does not and will not affect or extend for any purpose or on any basis our responsibilities. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Lloyds Banking Group PLC and the Directors of the Bank as a body, for our work, for this report, or for the conclusions we have formed.

The Basis of Reporting are designed for the Selected Information disclosed by the Bank and as a result, the Selected Information may not be suitable for another purpose.



Deloitte LLP
United Kingdom
21 February 2024