

LLOYDS
BANKING
GROUP



HELPING BRITAIN PROSPER

Lloyds Banking Group
Materiality Report

2015

Why materiality matters

Our long-term success depends on creating value for and with our stakeholders. Our current strategy sets clear priorities until 2017 and our Helping Britain Prosper Plan supports this strategy over the longer term, setting measurable targets for our actions to help tackle a range of social and economic issues. It's important that both the strategy and Plan evolve over time in response to the wider economic, social, environmental and regulatory context in which we do business.

We can see our Group in this wider context more clearly if we understand the issues that matter to our stakeholders and that affect (and are affected by) our operations. This is why we carry out a materiality assessment every year.

These assessments give us a better idea of what our stakeholders expect from us; by enabling us to track issues and our responses to them over time, they also inform the decisions we make and the way we communicate. They make our corporate reporting more relevant.

Materiality is now integral to reporting best practice, driven by standard setting frameworks such as the GRI G4 (Global Reporting Initiative) and the IIRC (International Integrated Reporting Council). We use these frameworks to carry out materiality processes that is more holistic and relevant to the integrated reporting approach we follow.

About our 2015 materiality assessment process

This is our fourth consecutive annual materiality report. It summarises the results of a materiality assessment carried out during the autumn of 2015.

As in previous years, our assessment was designed to identify, analyse and rank the issues that stakeholders' highlighted as most important for our business to address. These issues were assessed and ranked in terms of the level of stakeholder concern and the degree of risk they pose to our business.

How we identified the material issues

With guidance from an external consultancy, MerchantCantos, we identified a 'universe' of economic, social, environmental and governance issues. To do this, we referred to a wealth of internal and external information, which included:

- Lloyds Banking Group risk register
 - Lloyds Banking Group Helping Britain Prosper Plan
 - Media articles
 - General and sector-specific sustainability frameworks
 - Current and future legislation
 - Direct contact with internal and external stakeholders
- Customer complaints

Engaging the right stakeholders

We identified six stakeholder groups as being key for the Group.

These were:

- Colleagues
- Customers
- Investors
- Community groups
- Government and legislators
- Special interest groups and opinion formers

This 'universe of issues' was also benchmarked against industry peers.

We identified 50 relevant issues through this process. These were then grouped into ten categories to form the basis of the materiality survey.

We invited representatives from all of these groups to participate in an online survey. This format was selected to enable robust and comparable feedback. But, wherever possible, we also invited participants to share their views directly. The Lloyds Banking Group independent Stakeholder Advisory Panel provided robust proxy representation on behalf of some of these groups – their continual dialogue with key opinion former representatives informed a clear picture of current opinion.

Assessing and ranking the material issues

All of the stakeholders participating in the materiality survey were asked to rank the issues, and the categories in which they were listed, in order of importance. Their responses were weighted according to stakeholder group sample and data quality (priority was given to direct feedback and Stakeholder Advisory Panel feedback) then aggregated to create an overall ranking of the issues.

Enhancing the process

To make our analysis of materiality more accurate, reliable and comparable this year, we introduced a number of enhancements.

These included:

- The use of a consistent question set for all participants
- An additional YouGov survey, which provided a wealth of data, spanning more than 2,000 adults in the UK¹
- A larger number of participants

This enhanced materiality assessment was discussed by the Stakeholder Advisory Panel and the Responsible Business Committee. Both bodies validated its findings.

¹ Total sample size was 2,030 adults, of which 1,950 have a bank account. Fieldwork was undertaken by YouGov Plc between 8-9 October 2015. The survey was carried out online. The figures were weighted to be representative of all GB adults (aged 18+).

2015 materiality assessment: results

Top five most material categories and issues

The following categories and the issues they contained, were assessed as the most material by our stakeholders and the Group:

Trust in the business

- I. Clear purpose and values
- II. Transparency
- III. Responsible culture and ethical behaviour

How the company runs its business

- I. Clear business model and strategy
- II. Legal and regulatory compliance
- III. Robust governance structure and accountability

Customer satisfaction

- I. Customer experience and satisfaction
- II. Customer privacy and data security

Access to clear products and services

- I. Affordable and responsible financial services
- II. Financial inclusion and access to products

Economic impact

- I. Job creation
- II. Investment in product and service innovation
- III. Stimulating trade
- IV. Investment in infrastructure

All stakeholder groups prioritised the importance of the top three categories. Each also showed fairly strong consistency in their responses to all issue categories, with the exception of two noticeable differences: the fall in importance of support for communities for all bar the community groups stakeholder; and the emergence of economic impact as a key issue for investors and customers.

How these results compare with 2014

These results track closely to those recorded in the 2014 materiality assessment. The two key changes are the lower ranking of colleague-related issues, and the introduction of economic impact as an important issue.

Sharing the results of the 2015 assessment

Following the success of the 2014 Responsible Business Review, which focused on the most material issues highlighted in that year's survey, we are taking the same approach in our 2015 reporting suite.

This year's five most material issue categories are reported in the Annual Report and Accounts and within our website, under Our Performance.

In addition, we report about all of the other categories and issues highlighted in the 2015 assessment, along with a wealth of other relevant activities, online. Our GRI G4 index makes it easy for stakeholders to find this reporting content.

Going forward

We intend to continue to carry out a materiality assessment and will continue our efforts to make it an increasingly accurate and a representative reflection of our stakeholders' views. We will also try to reach more stakeholders directly and maintain a regular dialogue with them through-out the year.

Tell us what you think

We welcome your thoughts and ideas about materiality. Please share them with us at Responsible.Business@lloydsbanking.com