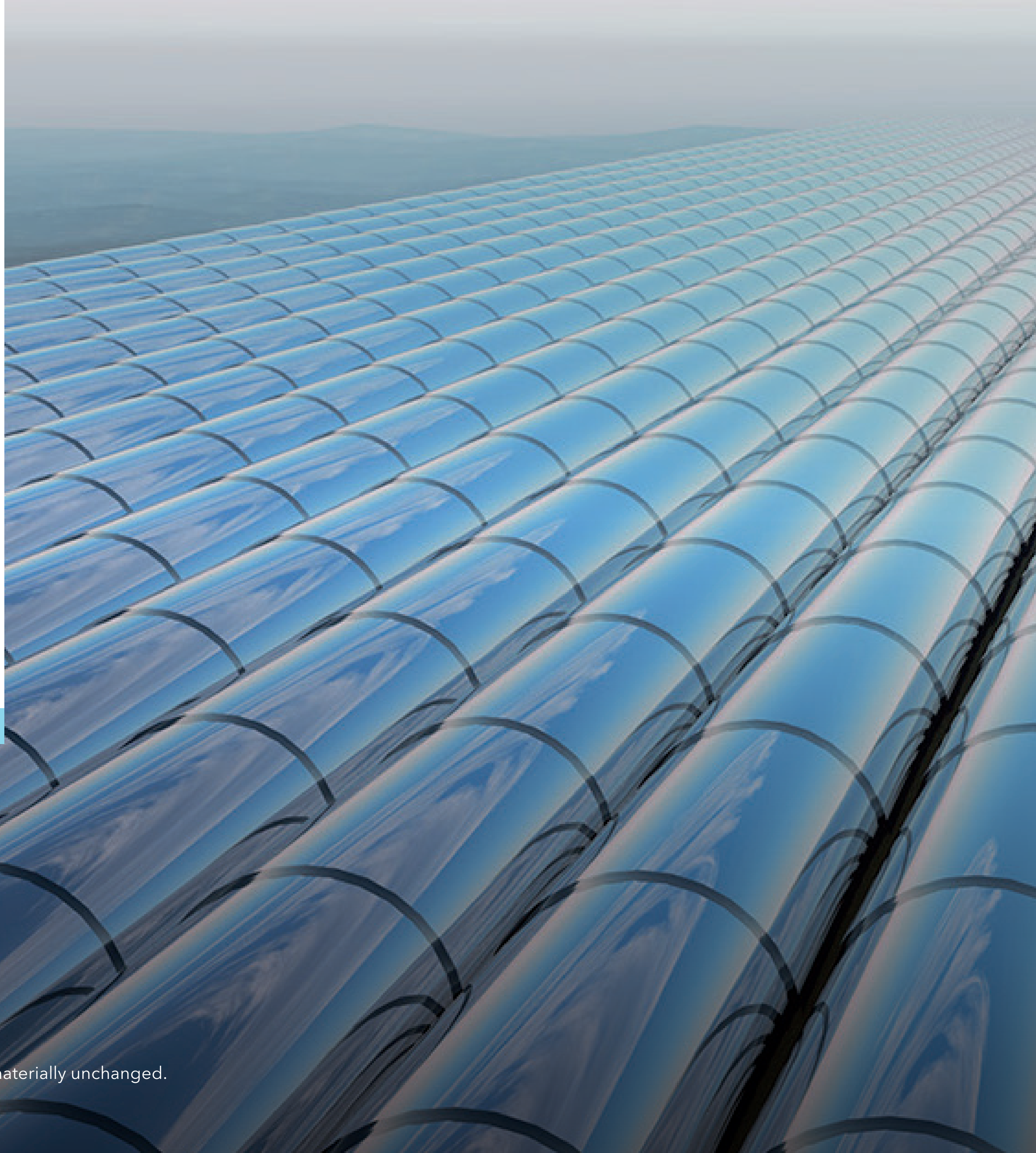
WHEN TRUST MATTERS

SECOND PARTY OPINION (SPO) ON LLOYDS BANKING GROUP SUSTAINABLE FINANCING FRAMEWORK

February 2024



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Location: London, U.K.
Date: 31/01/2024

This statement is valid as long as the Framework to be published in February 2024, remains materially unchanged.

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DNV ELIGIBILITY ASSESSMENT

Scope and objectives

Lloyds Banking Group (hereafter referred to as "Lloyds" or "the Group") is a leading UK-based financial services group that has been operating for more than 250 years, providing a wide range of banking and financial services. Lloyds' purpose is "Helping Britain Prosper" and core to this, is the Group's role in building a more sustainable and inclusive future for people and business, by shaping finance as a force for good.

To deliver on its purpose, Lloyds has identified key focus areas of activity that are material to the Group's growth. The focus areas were developed to help meet the targets set by the United Nations (UN) Sustainable Development Goals (SDG), and include improving access to quality housing, regional development and greening the built environment, while considering factors of inclusion, diversity, and financial resilience.

The Group is committed to having a positive social and environmental impact and its efforts can be widely observed. For instance, in 2022, over £2.1 billion of funding was provided for electric and plug-in hybrid vehicles, and the Group delivered £3.5 billion for green mortgages to help drive growth[1]. Lloyds has also provided £7.9 billion to corporate and institutional customers to support their transition to a low carbon economy, and £11.7 billion through Scottish Widows to fund climate-awareness strategies[2]. Wider efforts can also be observed in the social housing sector, seeing the Group having provided £2.1 billion to drive impact, and it has also provided £14.3 billion to first-time home buyers[3].

Lloyds has also outlined several ambitions to deliver further positive sustainable and inclusive change through cross-Group efforts. For example, the decarbonisation of its business is in line with limiting global warming to a 1.5°C scenario above pre-industrial levels, which will be achieved by halving the carbon footprint of its investments by 2030 on the path to net zero by 2050[4]. To support this, Lloyds has set sustainable finance targets in the form of 'lending' and 'investment' targets in several areas.

To track and disclose progress against the sustainable finance lending targets, Lloyds has developed a **"Sustainable Financing Framework – February 2024"** (the "Framework"). This will serve as a methodology for classifying which financial products and services offered by the Group may be described as sustainable.

The Framework will also act as a way to promote new environmental and social financing opportunities. According to Lloyds, providing a structured and consistent Framework is important as it enhances risk management and reporting, which can encourage innovation in financing and the development of new financial products and services that align with Lloyds' sustainability objectives and ambitions.

The eligible types of financing to which the Framework applies, includes lending arranged by the Group which falls under one of the following:

- **Use of Proceeds products** – finance and/or refinance used exclusively for Eligible Green Activities and/or Eligible Social Activities as defined under the Framework;
- **Sustainable Business Financing** – finance used for general corporate purposes to a business which has 90% or more of its revenue generated from Eligible Green Activities, Eligible Social Activities, or a mixture of Eligible Green Activities and Eligible Social Activities; and
- **Sustainability-Linked products** – finance used for general corporate purposes where the economic characteristics of the financing activity can vary depending on whether the borrower achieves ambitious, material, and quantifiable predetermined sustainability performance objectives.

The Framework covers Lloyds Banking Group's Retail Lending, Business and Commercial Banking, and Corporate & Institutional Banking eligible products. It also sits alongside the Group's Sustainability Bond Framework[5], and the Lloyds Banking Group Housebuilding Sustainability Finance Framework[6].

DNV Business Assurance Services UK Limited ("DNV") has been commissioned by Lloyds to provide an eligibility assessment of the Framework. Our objective has been to provide an assessment of whether the Framework meets the criteria established within the Loan Market Association (LMA) Green Loan Principles 2023 (GLP), Social Loan Principles 2023 (SLP) and Sustainability-Linked Loan Principles 2023 (SLLP).

Our methodology to achieve this is described under 'Work Undertaken' below. DNV was not commissioned to provide independent assurance or other audit activities. DNV notes that bond issuances may also be covered within the scope of the Framework. DNV was not commissioned to provide an eligibility assessment of the Framework against bond principles. Lloyds has confirmed that bond issuances will have undergone a separate bond assessment process. No assurance is provided regarding the financial performance of bonds or loans issued under the Group's Framework, the value of any investments, or the long-term environmental and/or societal benefits of the associated transactions. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

Responsibilities of the Management of Lloyds and DNV

The management of Lloyds has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform Lloyds management and other stakeholders interested in the Framework as to whether the established criteria have been met, based on the information provided to us. In our work, we have relied on the information and the facts presented to us by Lloyds. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by Lloyds' management, and used as a basis for this assessment, were not correct or complete.

Basis of DNV's opinion

We have adapted our eligibility assessment protocol which incorporates the requirements of the GLP, SLP and the SLLP, to create a **Lloyds-specific Sustainable Finance Eligibility Assessment Protocol** (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion. As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the following Principles split by type of financing:

1 Lloyds Banking Group | Environmental Sustainability Report 2022 (online).
2 Ibid.
3 Lloyds Banking Group | Social Sustainability Report 2022 (online).
4 Lloyds Banking Group | Sustainable Financing Framework – February 2024.
5 Lloyds Banking Group | Sustainability Bond Framework (online).
6 Lloyds Banking Group | Housebuilding Sustainability Finance Framework (online).

Basis of DNV's opinion continued

	Use of Proceeds Financing & Sustainable Business Financing	Sustainability-Linked Financing
Principle 1	**Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that a borrower of funding instruments under the Framework, must use the funds raised to finance eligible activities. The eligible activities should also produce clear environmental and/or social benefits.	**Selection of Key Performance Indicators (KPIs).** The borrower of sustainability-linked loans (SLLs) should clearly communicate its overall sustainability objectives as set out in its sustainability strategy, and how these relate to its proposed Sustainability Performance Targets (SPTs). The KPI(s) should be relevant, core and material to the borrower's core sustainability and business strategy, measurable or quantifiable on a consistent methodological basis, externally verifiable; and able to be benchmarked externally.
Principle 2	**Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that a borrower under the Framework should outline the process it follows when determining the eligibility of an investment using proceeds from Green, Social and/or Sustainability instruments, and outline any impact objectives it will consider.	**Calibration of Sustainability Performance Targets (SPTs).** The SPTs should be ambitious, meaningful and realistic, using industry benchmarks where possible. The target setting should be done in good faith and based on a sustainability improvement in relation to a predetermined performance target benchmark.
Principle 3	**Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a funding instrument should be tracked within the issuing organisation, that separate portfolios should be created when necessary, and that a declaration of how unallocated funds will be handled should be made.	**Financial Characteristics.** The loans will need to include a financial and/or structural impact depending on whether the selected KPIs reach (or not) the predefined SPTs. The loan documentation needs to require the definitions of the KPI(s) and SPT(s) and the potential variation of the SLL's financial and/or structural characteristics. Any fallback mechanisms, in case the SPTs cannot be calculated or observed in a satisfactory manner, should be explained.
Principle 4	**Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting to the lenders of the instrument should be made of the use of proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.	**Reporting.** Borrowers should publish and keep readily available and easily accessible up-to-date information on the performance of the selected KPI(s), as well as a verification assurance report outlining the performance against the SPT(s) and the related impact and timing of such impact on the loan's financial and/or structural characteristics, with such information to be provided to lenders participating in the loan at least once per annum.
Principle 5	N/A	**Verification (Post-issuance).** The borrower should have its performance against its SPTs independently verified by a qualified external reviewer with relevant expertise, such as an auditor, environmental consultant and/or independent ratings agency, at least once a year. The verification of the performance against the SPT(s) should be shared with lenders in a timely manner and, where appropriate, be made publicly available.

Work undertaken

Our work constituted a high-level review of the available information based on the understanding that this information was provided to us by Lloyds in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us.

The work undertaken to form our opinion included:

- The creation of a Lloyds-specific Protocol, adapted to the purpose of the Framework, as described above, and in Schedules 2, 3 and 4, of this Assessment;
- An assessment of documentary evidence provided by Lloyds on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with Lloyds management, as well as a review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria.

Our opinion as detailed below is a summary of these findings.

Findings and DNV's opinion

DNV's summary findings are listed, split by type of financing, namely Use of Proceeds Financing, Sustainable Business Financing and Sustainability-linked Financing. Further detail on our findings and conclusions can be found in Schedules 2, 3 and 4 of this Assessment respectively.

USE OF PROCEEDS FINANCING

Principle 1

Use of Proceeds.

Lloyds intends to use the Framework to guide their lending with respect to green and/or social loans that are referred to as "Use of Proceeds products". These will be used to finance or refinance Eligible Green and/or Social activities.

The Framework defines Eligible Green and/or Social activities as those that fall into one or more of the following categories, that are in line with the GLP and the SLP:

Eligible Green Categories:

- Energy Generation, Transmission, Distribution, and Storage (focussing on Renewable and Low Carbon Energy).
- Built Environment (focussing on Green Buildings).
- Energy Efficiency.
- Environmentally Sustainable Management of Living Natural Resources and Land Use.
- Sustainable Water and Wastewater Management.
- Climate Change Adaptation.
- Terrestrial and Aquatic Biodiversity Conservation.
- Circular Economy-Adapted Products, Production Technologies and Processes and/or Certified Eco-Efficient Products.
- Pollution Prevention and Control.
- Clean Transportation.

Eligible Social Categories:

- Affordable Housing.
- Affordable Basic Infrastructure.
- Access to Essential Services.
- Employment Generation.
- Food Security and Sustainable Food Systems.
- Socioeconomic Advancement and Empowerment.
- Financing Charities & Non-Profit Institutions.

For Eligible Green Categories, Lloyds has specified suitable eligibility criteria, leaning on references such as the Climate Bonds Initiative Taxonomy and the EU Taxonomy Technical Screening Criteria.

Additionally, for Eligible Social Categories, Lloyds has also identified appropriate target populations. DNV can confirm that the target populations identified within Lloyds' Framework fall into the LMA categories (see Schedule 1).

DNV can conclude that the Green and Social Eligible activities as described in the Framework, fall into the defined categories of the GLP and the SLP and will deliver clear environmental and/or social benefits. We can also confirm that the Eligible Green and Social Categories outlined in the Framework are consistent with the categories outlined in the GLP and the SLP.

Principle 2

Process for Project Evaluation and Selection.

DNV can confirm Lloyds has specified the eligibility criteria for each type of green and social activity as detailed in the Green and Social Eligibility Criteria tables of its Framework.

Lloyds has **separate business units** which will carry out their own process for evaluation and selection:

- The Group Retail Lending business unit – which oversees Homes and Motor
- The Commercial Banking unit, consisting of:
  - Business & Commercial Banking (BCB) business – which oversees lending to clients with a turnover of £100m or lower; and
  - The Corporate and Institutional Banking (CIB) business unit – which oversees lending to clients with a turnover of £100m or higher.

The Group Retail Lending business unit:

This unit uses an automated system to determine the Green credentials of the Use of Proceeds products. Potential borrowers apply for financing through the Lloyds website to apply for finance. The loan will be classified as 'eligible' under the Framework, if the use of loan proceeds aligns with the eligibility criteria as outlined in the Framework and Schedule 1 of this opinion, for the following Eligible Green Categories:

- Clean Transportation, for Motor lending.
- Built Environment (i.e. Green Buildings), for Home lending.

Due to the small size of the loans provided by the Group Retail business unit, Lloyds will use source data to validate the type of activity and its alignment with the applicable eligibility criteria as per the Framework. This process is supported by the Group's Three Lines of Defence model.

These three lines are as follows:

- First Line: Business lines and functional areas serve as the first line and have the primary responsibility for decision making as well as the identification, measuring, monitoring, and controlling of the application to the Framework.
- Second Line: Risk Division. This is a centralised function and is headed by the Group's Chief Risk Officer. They will engage with the first line and challenge the effectiveness of risk decisions and ensuring mitigating actions are appropriate.
- Third Line: Group Internal Audit. This group provides independent assurance to the Audit Committee and Board through the provision of reviews and engagement with committees and executive management. Group Internal Audit reports to Group Audit Committee.

The Business & Commercial Banking (BCB) unit:

Lloyds has confirmed that, due to the small size of the loans provided by the BCB business unit, Lloyds will use source data to validate the type of activity and its alignment with the applicable eligibility criteria as per the Framework. This process is also supported by the Group's Three Lines of Defence model.

The Corporate and Institutional Banking (CIB) business unit:

The CIB business units, which typically oversee larger transactions, will expect clients to display three requirements as reasonably required by the Group, and as set out in the GLPs and the SLPs:

- Communicate the environmental and/or social sustainability objectives of the respective green and/or social activity.
- The borrower is expected to display how the activities align with the Use of Proceeds section of the Framework.
- Lloyds will assess how the client's activities align with the Use of Proceeds section of the Framework, undertaking any additional engagement and seeking any further evidence, if necessary.
- Any additional and contextual information on the processes by which the borrower identifies and manages perceived, actual – or potential environmental and/or social risks – that are associated with the relevant project(s), as required by Lloyds.

Lloyds has confirmed that, in order to be eligible for Green and/or Social Use of Proceeds financing, all activities must be clearly aligned to the requirements as set out in the Use of Proceeds section of the Framework. This includes the Green and Social Eligibility Criteria tables and taking into account the exclusions that the Group has outlined.

DNV concludes that the activities to be financed by future issuances will be appropriately evaluated and selected as outlined within Lloyds' Framework, and that they meet the requirements under the GLPs and the SLPs.

Principle 3

Management of Proceeds.

Lloyds has confirmed that each borrower to which the Framework applies will be required to hold the proceeds of the underlying loan in a sub-account or to otherwise track those funds in its internal systems. For instance:

- Where applicable and practical, Lloyds states that this will be managed through its client relationship.
- For Asset Finance deals, Lloyds will send the proceeds from the loan product to the supplier directly.
- For Term Loans, Lloyds will rely on the Terms and Conditions of the loan, i.e., the Facility Letter, which confirms the use of proceeds.
- In the case of Clean Growth Financing Initiative (CGFI) loans, Lloyds will rely on either the Terms and Conditions of the loan i.e. the Facility Letter or the side letter to the client, which confirms the use of proceeds.

Lloyds has confirmed that, in line with the Group's internal monitoring processes for Use of Proceeds financing, business teams will work with their clients to monitor loan proceeds. This will vary depending on the nature, sector and size of the borrower. For instance:

- For asset finance transactions, the Group will settle the invoice for the green capital expenditure.
- For real estate transactions, loan drawdowns will be against development milestones or building certification.

Principle 3 continued

Management of Proceeds continued.

- Project finance transactions will have project accounts, and will be subject to project delivery milestones.
- CIB lending will typically have capital expenditure or investment milestones documented within the facility agreement or side letter.
- BCB lending will have a more ad-hoc approach to management of proceeds, whereby proceeds will be tracked through Lloyds' regular relationship management contacts with clients.

Having reviewed the evidence, DNV concludes that Lloyds has an appropriate procedure to manage the use of proceeds and track periodical disbursements from the Use of Proceeds products, and this is in line with the GLP and the SLP.

Principle 4

Reporting.

Lloyds has confirmed that the separate business units have different reporting requirements which will depend on the size of the loan, the type of customer and the type of eligible green activity and/or social activity.

Lloyds' CIB clients will be required to provide evidence that they have, and keep readily available, up-to-date information on the Use of Proceeds of the loan product provided to them. Where practical, CIB clients will also be required to report on the allocations of those proceeds for Lloyds to review annually until the green/social loan reaches maturity, or the loan proceeds have been fully drawn, whichever is sooner. In terms of Impact Reporting, for CIB clients, Lloyds will typically document ESG reporting requirements (e.g., generation capacity, number of smart meters installed, number of homes passed / connected to fibre, etc.) within the wider financial reporting requirements within the facility letter.

Where certification is key to determining Green Use of Proceeds (e.g., EPC rating, organic farming certification, etc.), Lloyds will require a completion certificate to be provided to the Group.

For BCB lending, formal reporting is not generally a requirement. Instead, Lloyds has confirmed that this will be practically reviewed between the Relationship Manager and the client through their regular engagement. DNV further notes that certification evidence will still be required where this is a determinant of Use of Proceeds.

For Group Retail customers, for example with Homes and Motor financing, Lloyds does not require clients to provide data to support a loan as the loan is provided for a specific purpose in line with the applicable Eligible Green Criteria and DNV understands that allocation reporting can be implied on that basis.

Lloyds, as the lender, has explained that it will not seek formal annual impact reporting from its retail and Small & Medium Enterprise (SME) customers due to the complications this can provide for its smaller borrowers. It is the intention of the Framework to encourage Green and Social lending to small borrowers, and this forms a part of Lloyds' medium and long-term Sustainable lending goals. DNV notes that, for SME lending, any impact from the use of proceeds will be practically reviewed between the Relationship Manager and the client, through their regular engagement. DNV further notes that impact reporting is encouraged within the GLP and the SLP, and that Lloyds is committed to capturing the impact from its lending products under the Framework where practical and feasible.

On the basis of the evidence reviewed, DNV concludes that the Framework meets the requirements of the GLP and the SLP in terms of Allocation Reporting. In terms of Impact Reporting, DNV concludes that Lloyds will endeavour to capture this information where practical, in line with the recommendations of the GLP and the SLP.

SUSTAINABLE BUSINESS FINANCING

Principle 1

Use of Proceeds.

Lloyds has confirmed that it will only tag client transactions as Sustainable Business Financing provided that:

- 90% or more of the client's revenue are generated from eligible green and/or social activities, as per the eligibility criteria set out in the Framework and in Schedule 1 of this opinion; and
- None of the client's revenue is generated from activities listed in the exclusions list within the Framework or within Lloyds' External Sector Statements[7].

90% or more of the client's revenue need to be generated from Eligible Green and/or Social Categories as listed below and as per the eligibility criteria in the Framework:

7 Lloyds Banking Group | LBG External Sector Statements (online).

Eligible Green Categories:

- Energy Generation, Transmission, Distribution, and Storage (focussing on Renewable and Low Carbon Energy).
- Built Environment (focussing on Green Buildings).
- Energy Efficiency.
- Environmentally Sustainable Management of Living Natural Resources and Land Use.
- Sustainable Water and Wastewater Management.
- Climate Change Adaptation.
- Terrestrial and Aquatic Biodiversity Conservation.
- Circular Economy-Adapted Products, Production Technologies and Processes and/or Certified Eco-Efficient Products.
- Pollution Prevention and Control.
- Clean Transportation.

Eligible Social Categories:

- Affordable Housing.
- Affordable Basic Infrastructure.
- Access to Essential Services.
- Employment Generation.
- Food Security and Sustainable Food Systems.
- Socioeconomic Advancement and Empowerment.
- Financing Charities & Non-Profit Institutions.

DNV confirms that the eligible activities and the relevant target populations fall within the definition of Eligible Categories as outlined in the Framework and Schedule 1 of this opinion, and they are consistent with the GLP and the SLP. The evidence reviewed also gives us the opinion that transactions tagged as Sustainable Business Financing under Framework will deliver clear environmental and/or social benefits.

Principle 2

Process for Project Evaluation and Selection.

Lloyds has confirmed that the Group will review a client's revenues against the green and social activities within the Framework to determine if 90% or more of the client's revenues align with the Green and/or Social Eligibility Criteria. DNV notes Lloyds' confirmation that this will be done practically through reviewing the client's annual reporting and accounts together with any additional information on client revenues that the Group has through its client relationship. Lloyds has further confirmed that the Group regularly review continuing achievement of the Sustainable Business Financing thresholds through its ongoing relationship management with the client.

DNV concludes that Lloyds has an appropriate evaluation and selection process to tag a client transaction as Sustainable Business Financing, and that this is in line with the GLP and the SLP.

Principle 3

Management of Proceeds.

Lloyds has confirmed that transactions tagged as Sustainable Business Financing will typically be general corporate purpose loans. DNV also notes the requirement that 90% of the client's revenues need to align with the Green and/or Social Eligibility Criteria within the Framework, and none of client's revenue can be generated from activities listed in the exclusions list within the Framework or within Lloyds' External Sector Statements.

Based on the evidence reviewed, it is DNV's opinion that proceeds from the loan will be used for general corporate purposes contributing to the 90%-aligned green and/or social revenue and that the tracking of net proceeds is not applicable in this case.

For Sustainable Business Financing which is a combination of Use of Proceeds and/or Sustainability-linked financing, the applicable Use of Proceeds and/or Sustainability-linked financing requirements will apply as per the Framework.

Principle 4

Reporting.

Lloyds has confirmed that the Group will regularly review continuing achievement of the Sustainable Business Financing thresholds through its ongoing relationship management with the client. This review will be additionally independent and reviewed by the Group, as well as by the Relationship Management/ Deal Team.

On the basis of the evidence reviewed, it is DNV's opinion that Lloyds' commitment to regularly reviewing a client's Sustainable Business Financing thresholds goes towards the reporting requirements of the GLP and the SLP.

For Sustainable Business Financing which is a combination of Use of Proceeds and/or Sustainability-linked financing, the applicable Use of Proceeds and/or Sustainability-linked financing requirements will apply as per the Framework.

SUSTAINABILITY-LINKED FINANCING

Principle 1

Selection of Key Performance Indicators (KPIs).

Lloyds has committed to working with the borrower to help them select one or more sustainability KPI(s), subject to the Group's approval and dependent on the nature of the business.

Lloyds has further confirmed that the selected KPI(s) must be:

- Relevant, core and material to the borrower's overall business and of high strategic significance to the borrower's current and/or future operations and address relevant ESG challenges of the applicable industry sector;
- Measurable or quantifiable on a consistent methodological basis;
- Externally verifiable;
- Able to be benchmarked externally where possible.
- Provided with a clear definition of the KPI(s) by the borrower, which includes the applicable scope or parameters, the calculation methodology, a definition of a baseline and which can be benchmarked against an industry standard and/or industry peers where feasible.

DNV notes that Lloyds will assist clients in selecting KPI(s) that are already included in previous annual reports, sustainability reports or other non-financial reporting disclosures. Lloyds has stated that KPI(s) will be evaluated on a case-by-case basis, but external references will be used where possible as a benchmark.

Lloyds has also confirmed that the Green Assets Eligibility Forum (GAEF) is responsible for reviewing and interpreting guidance to confirm eligibility for all Sustainability-Linked Linked Loans (SLLs) and ESG linked/KPI loans against the SLLP.

On the basis of the evidence reviewed, DNV concludes that Lloyds' commitments to the process for the selection of KPIs, and that this Is in line with the requirements of the SLLPs.

Principle 2

Calibration of Sustainability Performance Targets (SPTs).

Lloyds has committed that the SPTs set by the client will be ambitious and consistent with the borrower's overall sustainability and business strategy, and that they will represent a material improvement in the respective KPIs beyond a 'Business as Usual' trajectory.

Lloyds has further confirmed that all SPTs set by the borrower will be reviewed by GAEF against the SLLP, considering some or all of the below factors as applicable:

- How the SPTs go beyond the 'business as usual' scenario and are ambitious and meaningful;
- A clear roadmap as to how the business will achieve SPTs through highlighting the key levers/actions that are expected to drive the borrower's performance towards the SPTs as well as their expected impact, in quantitative terms wherever possible;
- Objective and valid reference point for the SPT, e.g., using science-based scenarios such as the Science Based Target initiative, "Paris" alignment, or other official pathway;
- Where relevant, the verified baseline or science-based reference point selected for improvement, including the rationale for the baseline or reference point to be used;
- SPTs should be determined on a predefined timeline, set before (or concurrently with) the issuance of the loan as outlined in the SLLP;
- Timelines for the target achievement including target observation date(s)/period(s), the trigger event(s), and the frequency of review of the SPTs;
- Where relevant, the verified baseline or science-based reference point selected for improvement, including the rationale for the baseline or reference point to be used;
- Where relevant, in what situations recalculations or pro-forma adjustments of baselines will take place; and
- Any other key factors beyond the client's direct control that may affect the achievement of the SPTs.

The evidence reviewed gives DNV the opinion that, for a loan to be reported within this framework as an SLL, Lloyds will ensure its clients adopt SPTs which represent a material improvement in the respective KPIs, go beyond a 'Business as Usual' trajectory and are calibrated against a valid baseline or science-based reference point, in line with the SLLP.

Principle 3

Financial Characteristics.

Lloyds has confirmed that the Sustainability-Linked Instruments to be reported within this framework will include terms by which an economic outcome is linked to the predefined SPTs being met or not. Each loan agreement will set out the terms including the financial and/or structural characteristics which vary depending on whether the selected KPIs achieve the predefined SPTs (or not).

These characteristics will typically involve an interest margin ratchet. The specific ratchet structure will be dependent on various factors (e.g. size of the loan, number and type of KPIs) and will be assessed and checked by GAEF to ensure it is line with market standards.

Lloyds has further confirmed that an SLL loan agreement will typically include a rider/rendezvous clause, whereby if a KPI can no longer be calculated or is no longer (materially) applicable to the borrower, then the borrower and lenders will consult to replace or remove the KPI.

DNV can confirm that Lloyds is committed to ensuring each loan agreement includes the financial and/or structural characteristics linked to the achievement of the predefined SPT(s) (or not), and capturing any changes to those characteristics, in line with the requirements of the SLLP.

Principle 4

Reporting.

Lloyds has confirmed that the borrower will be responsible for reporting on the performance of the agreed KPIs against the SPTs. Reporting will be provided on an annual basis as a minimum. DNV notes that the reporting will demonstrate achievement or not of the SPTs along with the External Reviewer's assessment of the KPI performance. The reporting may include as applicable and when feasible and possible:

- The selected KPI(s), including the baseline where relevant;
- The performance against the SPTs and the related impact, and timing of such impact, on a financial instrument performance;
- Any relevant information enabling the Group to monitor the progress of the KPI(s).
- Illustration of the positive sustainability impacts of the performance improvement (qualitative or quantitative); and/or
- Any re-assessments of KPI(s) and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope, if relevant.

Lloyds has further confirmed that, on a best endeavours basis, the client should publicly report information relating to their SPTs for transparency. This information will often be included in a client's integrated annual report, sustainability report or separate sustainability-linked impact report.

It is DNV's opinion that Lloyds has appropriately committed to the reporting requirements for SLLs, and this is in line with the criteria as set out under the SLLP.

Principle 5

Verification (Post-issuance).

Lloyds has committed that borrowers must obtain independent and external verification of their performance against the SPTs for each KPI on an annual basis at least. Lloyds has confirmed that the borrower must provide a sustainability compliance certificate along with third-party verification by a qualified external reviewer with relevant expertise. Lloyds has also stated that this should be provided at least annually, within the agreed time frame as noted within the facility or finance agreement. Lloyds will also recommend that the verification of performance against the SPTs be made publicly available where appropriate.

Lloyds has further confirmed that, where a regulated entity (e.g., water/electricity/gas utilities, universities, housing associations) is using the same data for one or more KPIs that they submit to their national regulator, the Group may accept this data submission to be equivalent to independent external verification. Where a KPI metric relates to a public certification (such as an EPC rating, a SAP score or other external formal audit or recognised certification, ratings or benchmarking process), Lloyds has confirmed that it may accept the report or certification in place of independent external verification. In either scenario, the Group may still request independent external verification to address any data concerns.

DNV can confirm Lloyds' commitment to post-issuance verification is in line with the requirements of the SLLP.

On the basis of the information provided by the Group, and the work undertaken, it is DNV's opinion that the Lloyds Sustainable Financing Framework meets the intended criteria established in the Protocol and that it is aligned with the stated definitions of Green Loans within the Green Loan Principles (GLP) 2023 and Social Loans within the Social Loan Principles (SLP) 2023 for Use of Proceeds financing. For Sustainable Business Financing, DNV concludes that the Framework meets Principles 1 and 2 of the GLP and the SLP; and due to the nature of the financing and on the basis of evidence reviewed, it is DNV's opinion that it aligns with Principles 3 and 4 of the GLP and the SLP on a transparent, practical, best-effort basis where applicable. DNV further concludes that the commitments made by Lloyds within the Framework also align with the stated definition of Sustainability-Linked Loans within the Sustainability-Linked Loan Principles (SLLP) 2023.

for DNV Business Assurance Services UK Limited
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About DNV
Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 13,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

Schedule

01

Description of eligible green and social activities as per Lloyds Sustainable Financing Framework

ELIGIBLE GREEN CATEGORIES

Lloyds has set out the eligibility criteria for classifying an activity as "green" under the Framework, while also indicating the UN Sustainable Development Goals (SDGs) which the activity aligns with. Where applicable, the exclusionary criteria for an activity have also been laid out. The Eligible Green Criteria and applicable exclusions have been outlined in the table below. Lloyds has also confirmed that to comply with a given set of eligibility criteria, an activity cannot be in contradiction with the rest of the eligibility and exclusionary criteria outlined in the Framework, nor can it be in contradiction with Lloyds' External Sector Statements. For all of Lloyds' Commercial Banking clients, Lloyds has further confirmed that ESG-related risks are considered and reviewed, with specific commentary in new and renewal credit applications where total aggregated hard limits exceed the threshold currently set at £500,000 (excluding automated decision-making processes for smaller counterparties).

DNV can confirm that our assessment is based on the activities outlined in this Schedule. Lloyds has confirmed that the list of Eligible Green Activities is expected to evolve and may include activities which have not been assessed in this Opinion. Lloyds has also confirmed that the same level of due diligence that went into the construction of the current list of eligible activities will be applied to any future updates.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Energy generation, transmission, distribution, and storage			
Electricity Generation	Renewable energy generation from the following technologies: • Wind power (onshore and offshore). • Solar photovoltaic (PV). • Concentrated solar heat & power generation (CSP), and other solar thermals where the large majority[8] of the electricity generated from the facility is derived from solar energy sources. • Geothermal: Lifecycle GHG emissions from the generation of electricity from geothermal energy are lower than 100g CO_2e/kWh. • Ocean energy (wave and tidal). • Electricity generation from waste biomass certified as being from sustainable sources[9] (e.g., FSC Forest Management Certification, ISCC, RSPO, SBP[10]). Lifecycle GHG emissions should be at least 80%[11] lower for electricity generation from biomass when compared to a fossil-fuel baseline[12]. • Hydropower/hydroelectric generation that complies with either of the following criteria: o The electricity generation facility is a run-of-river plant. o **Operation before 2020:** 1) The power density of the electricity generation facility is above 5 W/m^2; 2) The life cycle GHG emissions from the generation of electricity from hydropower is less than 100g CO_2e/kWh. o **Operation on or after 2020:** 1) The power density of the electricity generation facility is above 10 W/m^2; 2) The life cycle GHG emissions from the generation of electricity from hydropower is less than 50g CO_2e/kWh. o The construction and operation of facilities used for cogeneration of heating/cooling and power from renewable energy, in line with the eligibility criteria as defined in this Framework. o Any generation from an artificial reservoir would be subject to Lloyds Banking Group's criteria for hydrogeneration above. • Improvements to output of existing renewable energy assets e.g., larger turbines for old wind farms.	• Biomass or biogas from peat and non-sustainably produced crops. • In dedicated bio-waste treatment plants, the share of food and feed crops used as input feedstock cannot be more than 10% of the input feedstock[13]. • New biomass electricity generation with a total rated thermal input exceeding 20MW without carbon capture and storage or credible transition plans to fit it[14]. • Large scale hydropower (>25MW installed capacity) subject to review in terms of the Equator Principles.	**SDG 7** Affordable and clean energy **SDG 9** Industry, innovation and infrastructure **SDG 13** Climate action

8 Facilities shall have no more than 15% of electricity generated from non-renewable sources.
9 Lloyds may consider additional certification schemes so long as such schemes are considered to be equivalent to internationally recognised certification schemes.
10 Forest Stewardship Council, International Sustainability and Carbon Certification, Roundtable on Sustainable Palm Oil, Sustainable Biomass Programme.
11 The greenhouse gas emission savings from the use of biomass are at least 80% in relation to the GHG saving methodology and the relative fossil fuel comparator.
12 Fossil fuel baselines for biofuel production facilities: (1) Biofuels (for transportation) – 94 gCO_2e/MJ; (2) Bioliquids (production of electricity) – 183 CO_2e/MJ; and (3) Bioliquids (production of heat) – 80 CO_2e/MJ as per the EU Renewable Energy Directive II. For outermost regions and non-EU countries, the following baseline is applicable for electricity generation: 212 g CO_2eq/MJ.
13 Measured in weight, as an annual average.
14 Credible transition plan which is in line with science-based pathways.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Energy generation, transmission, distribution, and storage continued			
Manufacture of biogas, biofuels, hydrogen and other low carbon gases	• Production of bioenergy (biogas and biofuels). Chain of custody is required if not already captured as part of certification requirements. Lifecycle GHG emissions should be at least 65%[15] lower for the production of biofuels and biogas when compared to a fossil-fuel baseline[16]. • Production of hydrogen with an emissions intensity of no more than 20g CO_2e/MJLHV of produced hydrogen up to the point of production. • Production of Sustainable Aviation Fuel (SAF), where the SAF meets national or international input standards.	• Any manufacture of fossil fuel gases. • In dedicated bio-waste treatment plants, the share of food and feed crops used as input feedstock, measured in weight, as an annual average, is less than or equal to 10% of the input feedstock. • For the manufacture of biofuels dedicated to transport and manufacture of bioliquids, there is to be no food and feed crops used as the input feedstock.	**SDG 7** Affordable and clean energy
Electricity transmission and distribution	• Infrastructure directly connecting renewable energy or integrating renewable energy into existing transmission networks. • Assets supporting electricity transmission and distribution projects which facilitate the development of renewable energy projects by connecting them to the UK National Grid or European grid system. • Installation of voltage/optimisation equipment/systems intended to reduce the curtailment of renewable energy from the grid. • Activities that replace equipment or assets containing SF6 for a cleaner alternative.	• Transmission and distribution lines directly connected or dedicated to unabated (without Carbon Capture Usage and Storage (CCUS) fossil fuel power).	**SDG 7** Affordable and clean energy
Gas transmission and distribution (hydrogen)	• The following transmission and distribution activities only where 0% fossil fuel gas is being transported through the networks: o Construction or operation of new transmission and distribution networks dedicated to hydrogen, biogases or other low-carbon gases. o Retrofit of existing natural gas transmission and distribution networks to 100% low carbon hydrogen (no more than 20 gCO_2e/MJLHV).	• Gas network infrastructure associated with the transportation of fossil fuels gases. • Infrastructure that connects to high-carbon sources of hydrogen and other gases (e.g. hydrogen produced from natural gas without CCUS).	**SDG 7** Affordable and clean energy
Energy Storage	• Energy storage technologies connected to renewable energy projects. • Manufacturing of EV batteries and battery technology. • Green energy storage options include: o Batteries; o Thermal; o Mechanical; and o Pumped hydro.	• Energy storage connected or dedicated to unabated (without CCUS) fossil fuel power.	**SDG 7** Affordable and clean energy

15 Pre-2021 installations with 60% lifecycle emission reduction below the baseline and pre-2015 installations with 50% lifecycle emissions reduction below the baseline.
16 Fossil fuel baselines for biofuel production facilities: (1) Biofuels (for transportation) – 94 gCO_2e/MJ; (2) Bioliquids (production of electricity) – 183 CO_2e/MJ; and (3) Bioliquids (production of heat) – 80 CO_2e/MJ as per the EU Renewable Energy Directive II. For outermost regions and non-EU countries, the following baseline is applicable for electricity generation: 212 g CO_2eq/MJ.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Energy generation, transmission, distribution, and storage continued			
Renewable Energy Technologies Supply Chain	• Development and/or manufacture of renewable energy technologies, including equipment for renewable energy generation and energy storage connected to renewables as defined under the "Production of electricity, heat/cool and cogeneration".		**SDG 7** Affordable and clean energy
Built environment			
Commercial and Residential Buildings[17]	Construction, acquisition or retrofitting of buildings: **Retail lending for Residential Buildings:** • Energy performance certificate (EPC) of B or better. **Commercial Lending for Residential or Commercial Buildings:** • EPC Rating B or better • Buildings identified as being in the top 15% for Primary Energy Demand. • Buildings certified to an acceptable level under an internationally recognised green building certification scheme, such as: o BREEAM: Excellent or Higher; o LEED: Gold or Higher; o EDGE: Certified of Higher; o Home Quality Mark 4 or Higher (residential buildings only); or o NABERS 5 or above (commercial buildings only). • Data Centres: Alignment to the Climate Neutral Data Centre Pact (CNDCP) commitment targets for 2030[18].	• Activities related to buildings directly involved in the exploration, extraction, refining and distribution of fossil fuels or unabated (without CCUS) use of thermal coal.	**SDG 7** Affordable and clean energy **SDG 9** Industry, innovation and infrastructure **SDG 11** Sustainable cities and communities **SDG 13** Climate action

17 Lloyds' pricing discount propositions may require higher standards than those listed in the eligibility criteria.
18 This must be supported by external verification for the alignment to CNDCP.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Built environment continued			
Commercial and Residential Buildings continued	**Retrofitting (Commercial Lending for Residential or Commercial Property Only):** Retrofit of Existing Buildings (residential and commercial) which results in a 30% reduction in energy use[19] or carbon emissions or to EPC B or better[20]. Loans or other credit provisions, the use of which is to deliver one or multiple eligible retrofitting activities. Retrofitting activities include, but are not limited to: • LED lighting; • Heat pumps; • Solar water heating; • Water source heating; • Replacement or refurbishment of existing heating/cooling systems in buildings with more efficient, non-fossil fuel powered systems; • Refurbishment of heating, ventilation & air conditioning systems; • Installation, maintenance and repair of insulation; • Maintenance and repair of energy efficiency equipment; • Devices or technology for measuring, regulation and controlling energy performance of buildings (e.g. installation of voltage optimisation equipment/systems); • Installation of energy management systems; • Installation, maintenance and repair of on-site renewable energy technologies; • Water efficiency improvements e.g. Water efficient toilets (dual flush devices/water displacement devices); • Double/triple glazing; • Battery storage; and/or • Resilience measures e.g. products to enhance resistance to flooding such as flood doors and windows or demountable barriers.		**SDG 7** Affordable and clean energy **SDG 9** Industry, innovation and infrastructure **SDG 11** Sustainable cities and communities **SDG 13** Climate action

19 Measurement can be calculated using a SAP score.
20 For the avoidance of doubt, this also includes retrofitting activities that moves a rating from an EPC B to an EPC A.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Energy efficiency			
Transmission and Distribution Systems	• The development, manufacture, installation of technologies or components designed for efficient transmission and distribution. • Infrastructure for bioenergy sources as listed in Energy Generation, Distribution and Storage, which includes the refining of eligible biofuels and transportation/pipelines.	• Energy efficiency improvements to transmissions lines connected or dedicated to fossil fuel unabated power. • Biofuel blending facilities.	**SDG 7** Affordable and clean energy
Industrial processes and supply chains	• Upgrades, improvement and installation of technologies and equipment which increases energy efficiency by 40% industrial and manufacturing processes and 50% for agricultural processes. • Development, manufacture and distribution of technology, equipment and software that are specifically designed to increase the energy efficiency of industrial and manufacturing processes such as demand management technologies. • Industrial/utility energy efficiency improvements involving changes in processes, reduction of heat losses and/or increased waste heat recovery.	• Projects to improve energy efficiency of equipment or technologies used in fossil fuel production and/or distribution. • Projects using waste heat from fossil fuel production/operation. • Operations linked to deforestation, peatland degradation, or damage of high-nature-value habitats such as wildflower meadows.	**SDG 7** Affordable and clean energy **SDG 9** Industry, innovation and infrastructure
Buildings and other infrastructure	• Development of ICT[21] solutions where the activities are predominantly aimed at the provision of data and analytics enabling GHG emission reductions. • Deployment of fibre broadband to households and commercial premises.	• Projects that improve the energy efficiency of fossil fuel-based energy generation (coal-fired power plants, oil, natural gas). • Energy efficiency projects in non-energy sectors which are considered carbon intensive/high emitters (e.g. steel, cement) and do not have credible decarbonisation strategies in place.	**SDG 7** Affordable and clean energy **SDG 9** Industry, innovation and infrastructure

21 Information and communications technology.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Energy efficiency continued			
Energy Efficiency Technologies	• Development, manufacture, repair, maintenance or installation of energy efficiency technologies, products, and systems including: o Smart meters for electricity; o Energy efficient lighting; o Highly efficient heating, ventilation and air conditioning (HVAC) systems; o Distributed generation; o Peak demand management; o Devices measuring, regulating, or controlling energy performance of buildings; and/or o Deployment of fibre broadband to households and commercial premises.	• Projects that improve the energy efficiency of fossil fuel-based energy generation (coal-fired power plants, oil, natural gas). • Energy efficiency projects in non-energy sectors which are considered carbon intensive/high emitters (e.g. steel, cement) and do not have credible decarbonisation strategies in place.	**SDG 7** Affordable and clean energy **SDG 9** Industry, innovation and infrastructure
Equipment	Renewable powered (electric, biogas or hydrogen fuelled) equipment, access equipment or construction equipment (e.g. fork-lift trucks, scissor lifts and excavation machinery).		**SDG 7** Affordable and clean energy

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Environmentally sustainable management of living natural resources and land use			
Sustainable agriculture	• Investment in activities which support: o Agricultural activities and/or technology that results in the reduction of energy, water use and/or greenhouse gas emissions during operations. Examples include: the promotion or implementation of sustainable agricultural techniques and practices including no-till farming systems, hydroponics, soil recovery and restoration of degraded pasture, agricultural practices that use no synthetic fertilizers and pesticides, crop rotation for carbon sequestration, slurry management, hedgerow planting and nitrogen accumulation purpose. o Certified Sustainable Farming (e.g. LEAF Marque certified). o Regenerative farming as evidenced by certification or following recognised principles and practices (e.g. minimal soil disturbance, maintaining living ground cover, implementing livestock in arable systems). o Assets supporting sustainable agriculture which are compliant with organic farming legislation. These must be certified by approved control bodies appointed by the UK Government such as Organic Farmers & Growers, Organic Food Federation, Soil Association Certification, Biodynamic Association Certification, Quality Welsh Food Certification and OF&G Scotland[22]. o Wildlife habitat management and restoration of degraded lands, including improving and restoring soil health. o The protection of nature through the collection and use of agricultural waste and/or the management of wastewater and pollution. o Sourcing and growing of alternative protein crops to replace non-certified soy for animal feed. o Research and development of lab grown proteins and alternative proteins. o Activities which enhance carbon sequestration and long-term storage of carbon from the atmosphere. o Finance contributing to practices or projects eligible for environmentally based subsidies or grants (e.g. ELMs, Countryside Stewardship, Higher Level Stewardship and devolved nations equivalents).	• Systems powered by fossil fuel including diesel. • Conversion from prime agricultural land and conversion from a natural landscape. • Investment into machinery powered by any type of fossil fuel. • Livestock management projects for non-pasture based meat production. • Manufacture, purchase or distribution of inorganic, synthetic fertilizers, pesticides or herbicides.	**SDG 12** Responsible consumption and production **SDG 13** Climate action **SDG 15** Life on land

22 Lloyds may consider additional certification schemes so long as such schemes are considered to be equivalent to internationally recognised certification schemes.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Environmentally sustainable management of living natural resources and land use continued			
Sustainable fisheries	• Investment in activities which support Sustainable fisheries with certification under the Marine Stewardship Council (MSC), the Aquaculture Stewardship Council (ASC) or the Global G.A.P. Standards.		**SDG 12** Responsible consumption and production **SDG 14** Life below water
Sustainable forestry	Investment in activities which support: • Afforestation of previously non-forested land in compliance with Sustainable Forest Management requirements. This includes using tree species that are suitable for the specific site. • Rehabilitation and restoration of forests, including reforestation and natural forest regeneration. • Forestry systems and agroforestry systems targeted at smallholder farmers with sustainable forestry management plan in place. • Sustainable forest management certified as meeting the UK Forestry Standard or UK Woodland Assurance Standard (UKWAS). • Sustainable certified Forest products produced in compliance with UK Woodland Assurance Standard (UKWAS), Forest Stewardship Council (FSC), Programme for Endorsement of Forest Certification (PEFC) or Woodland Carbon Code, or equivalent certifications or audits.	• Conversion from prime agricultural land (Grade 1 and Grade 2 per Agricultural Land Classification System) and conversion from a natural landscape – no biodiversity degradation in conversion to forest. • Monocrop plantations that do not produce a sustainable end product. • Any forestry activities primarily related to production of biomass for power generation, unless deemed acceptable under the "Energy generation, distribution and storage" category.	**SDG 15** Life on land

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Sustainable water & wastewater management			
Sustainable water management	Activities that improve water scarcity and water quality issues. For example: • Water treatment facilities. • Desalination plants where the average carbon intensity of the energy used to power the plant must be at or below 100g CO_2/kWh over the remaining lifetime of the asset. • Construction and operation of water reservoirs. • Natural wetlands for water purification. Activities that improve water efficiency. For example, technologies and products that reduce, reuse, or recycle water, such as: • Smart irrigation systems (to reduce water usage), efficient irrigation (i.e. sprinkler and drip irrigation systems), rain water harvesting, creating or extending farm reservoirs. • Development, manufacture, purchase and deployment of products and technologies that reduce and/or monitor water use. • The front-to-end water collection, treatment and supply system is eligible provided that it's performance in terms of energy consumption per cubic meter of final water supply is high or substantially improved.	• Water projects that increase GHG emissions, water stress or water pollution from a business-as-usual baseline over the operational lifetime of the water asset or project.	**SDG 6** Clean water and sanitation
Sustainable wastewater management	Development, expansion, upgrade or maintenance of infrastructure related to: • Treatment of wastewater on a large scale. • Construction or extension of centralized wastewater systems. • Solutions to remove process emissions created from the treatment of wastewater. Products, services and projects that attempt to resolve water scarcity and water quality issues. For example: • Processes that facilitate treatment of wastewater on a significantly large scale i.e. beyond compliance with legal requirements.	• Wastewater treatment for fossil fuel operations and/or carbon-intensive sectors.	**SDG 6** Clean water and sanitation

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Climate change adaptation			
Climate change adaptation	Activities which support climate change adaptation, including nature-based solutions. Each must substantially reduce climate physical risks that are material to that activity. For example: • Expenditures relating to the refurbishment or maintenance of existing infrastructure, which increases resilience against the physical impacts of climate change e.g. extreme weather events such as floods and wildfires. • Data driven climate monitoring solutions, such as climate observation, early warning systems for natural disasters and monitoring GHG emissions. • Development and/or use of Information Communication Technology solutions for collecting, transmitting, storing and using data and analytics to facilitate GHG emission reductions.	• The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks[23] of other people, of nature, of cultural heritage, of assets and of other economic activities; are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-based solutions or rely on blue or green infrastructure.	**SDG 13** Climate action
Terrestrial and aquatic biodiversity conservation			
Conservation, restoration and protection of land and aquatic environments and biodiversity	• Activities dedicated to supporting conservation and protection of terrestrial, freshwater and marine environments. • Activities dedicated to the restoration of terrestrial, freshwater and marine environments. Examples of terrestrial, freshwater and marine environments include: o Salt marshes; o Seagrasses; o Peatlands; o Forests; o Woodlands; o Rainforests; o Grasslands; o Coral reefs. • Activities which enhance carbon sequestration and long-term storage of carbon from the atmosphere. • Eliminate, minimize, reduce and or mitigate the impacts of invasive alien species on biodiversity and ecosystem services.	• Activities which cause significant harm to any other environment.	**SDG 6** Clean water and sanitation **SDG 14** Life below water **SDG 15** Life on land

23 As defined by the UK Climate Change Risk Assessment 2022.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Circular economy adapted products, production technologies and processes and/or certified eco-efficient products			
Circular economy adapted products, production technologies and processes	• Production of resource-efficient or low carbon products that are RSB[24]-certified (in case of bio-based materials) • Manufacture of aluminium through secondary aluminium recycling. • Facilities which are used to increase the lifespan of existing products (e.g. repair, refurbish, recondition or predictive maintenance). • Sustainable and responsible sourcing of different raw materials and goods from certified sustainable sources (e.g. Round Table for Responsible Soy, ISCC Europe, US SSAP).	• Equipment and technologies designed or intended for processes that are inherently carbon intensive, primarily driven or powered by fossil fuels. • Facilities increasing the lifespan of existing products should not require pre-processing to put products back together to their original use. • Where goods cannot be traced back to source, e.g. mass balance or credits.	**SDG 11** Sustainable cities and communities **SDG 12** Responsible consumption and production
Pollution, prevention and control			
Emissions management	• Activities which contribute to reduction of air pollutant emissions, for example NO_x and SO_x.	• Projects that are applied in fossil fuel production and/or distribution and/or unabated use (without CCUS).	**SDG 13** Climate action
Carbon Capture and Storage	• Carbon capture applied to electricity generation (with a life-cycle emissions intensity lower than 100g CO_2e/kWh), to industrial facilities, for production of blue hydrogen or for CO_2 removal, for example through direct air capture. • Transport and storage infrastructure for CCUS.[25]	• Facilities where CCUS is only applied to part of the facility, or where the share of emissions captured and permanently stored is below 90%. • Projects that are applied in fossil fuel production or to use of coal or fossil gas for electricity generation. • Projects that are applied in fossil fuel production and/or distribution and/or unabated use (without CCUS).	**SDG 13** Climate action

24 Roundtable on Sustainable Biomaterials.
25 CO_2 must be permanently stored, with appropriate leakage prevention and monitoring in place. Exploration and storage must comply with ISO 27914:2017 for geological storage of CO_2.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Pollution, prevention and control continued			
Sustainable waste management	• Infrastructure to support more sustainable waste management, disposal, reuse and recycling of waste. This includes, but is not limited to: o Substituting virgin materials with recycled materials; o Increasing the capacity utilisation of products or assets that encourages reuse of materials and therefore reduces waste, such as those encouraged by a sharing economy; o Installation of recycling facilities. • Facilities processing bio-waste (e.g. biodegradable food and garden waste) to produce compost for agriculture, municipal or Retail applications. • Activities involving the treatment of bio-waste (anaerobic digestion and composting) with the resulting production of biogas and digestate, as listed in Energy Generation, Distribution and Storage.	• Chemical recycling of plastic. • Any expenditures related to fossil fuels. • In dedicated bio-waste treatment plants, the share of food and feed crops used as input feedstock cannot be more than 10% of the input feedstock[26].	**SDG 12** Responsible consumption and production
Clean transportation			
Vehicles	• Development, sale, leasing, operation and upgrade of low carbon transportation for people (excluding freight), which includes: o Vehicles (including electric motorbikes) and Commercial Vans with zero direct (tailpipe) CO_2 emissions, or plug-in hybrids (PHEV) until 31 December 2024 (with only zero direct CO_2 emissions thereafter). o Trains and passenger coaches with zero direct (tailpipe) CO_2 emissions, or trains with zero direct (tailpipe) CO_2 emission when operated on a track with the necessary infrastructure, but use a conventional engine where such infrastructure is not available (bi-mode). o Buses and coaches: Any zero-direct (tailpipe) CO_2 emission vehicles[27] or biogas buses which meet Renewable Transport Fuel Obligation (RTFO) or European Union Renewable Energy Directive certification. • Sea and coastal passenger water transport[28]: o Any zero-direct (tailpipe) emission vehicles; or o Where it is not technologically and economically feasible to comply with the zero emission threshold, until 31 December 2024, vessels derive at least 25% of their energy from zero (tailpipe) CO_2 emission fuels or plug-in power for their normal operation at sea and in ports.	• Efficiency improvements involving conventional fossil fuel combustion engines. • Vehicles dedicated to transportation of fossil fuels.	**SDG 11** Sustainable cities and communities

26 Measured in weight, as an annual average.
27 All buses require a Zero Emission Bus (ZEB) certification.
28 Vessels designed and equipped for performing passenger transport, on sea or coastal waters, whether scheduled or not. This includes operation of ferries, water taxis and excursions, cruise or sightseeing boats.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Clean transportation continued			
Infrastructure	• Infrastructure for personal mobility and cycle logistics (e.g. footpaths and bike paths). • Infrastructure dedicated to the operation of vehicles with zero tailpipe CO_2 emissions: e.g., electric charging points and hydrogen fuelling stations.	• Infrastructure used for the transportation or storage of fossil fuels. • Development and improvement of transport links to airports. • New construction and existing road infrastructure retrofits, including roads, road bridges and parking facilities.	**SDG 9** Industry, innovation and infrastructure **SDG 11** Sustainable cities and communities
Freight Transport	Development, sale, leasing, operation and upgrade of low carbon transportation for freight, which includes: Rail freight: • Trains and wagons with zero direct (tailpipe) CO_2 emissions; or • Trains and wagons with zero direct (tailpipe) CO_2 emission when operated on a track with the necessary infrastructure, but use a conventional engine where such infrastructure is not available (bi-mode). Road freight: • Vehicles with zero direct (tailpipe) CO_2 emissions; or • Low-emission[29] heavy duty vehicles[30] where it is not technologically and economically feasible to comply with zero direct (tailpipe) CO_2 emissions.	• Efficiency improvements involving conventional fossil fuel combustion engines. • Vehicles dedicated to transportation of fossil fuels.	**SDG 9** Industry, innovation and infrastructure **SDG 11** Sustainable cities and communities

29 A vehicle is considered a Low Emission Vehicle (LEV) if its CO_2 emissions are less than half of the baseline CO_2 emissions of its respective sub-group or comply with the Renewable Transport Fuel Obligation (RTFO) or European Union Renewable Energy Directive.

30 Vehicles that have a permissible maximum laden mass exceeding 7.5 tonnes must meet one of the following: i) Zero-emissions heavy-duty vehicles, or 2) where technologically and economically not feasible to comply with the criterion in point (i), 'low-emission heavy-duty vehicles' as defined in Article 3, point (12), of that Regulation.

ELIGIBLE SOCIAL CATEGORIES

Lloyds has also identified social activities that aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes for a target population(s). For each eligible social activity, Lloyds has set out the applicable Eligible Social Criteria and the exclusionary criteria under the Framework – the alignment to the UN SDG is also illustrated. Target populations which have been identified by Lloyds include but are not limited to:

- People living below the poverty line;
- People excluded and/or marginalised populations and/or communities;
- People with disabilities;
- Migrants and/or displaced persons;
- Undereducated (including illiteracy/digital illiteracy);
- Underserved, owing to a lack of quality access to essential goods and services;
- Unemployed;
- Women and/or sexual and gender minorities;
- Aging populations and/or vulnerable youths; and
- Other vulnerable groups, including as a result of natural disasters.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Affordable housing			
Affordable Housing	Eligible assets to UK accredited or registered Housing Associations, which are not-for-profit organisations supporting the provision of affordable housing in the UK and contribute to enhanced access for low-income residents or marginalised communities. The Housing Associations offer social rented, affordable rented and intermediate housing to specified eligible households whose needs are not met by the private market. To be classified as an Eligible Social Asset, the Housing Associations must be involved in the construction, management, or refurbishment of properties for at least one of the following: • Social Rent[31]; • Affordable Rent[32]; • Shared Ownership[33]; • Supported Housing[34]. In addition to lending directly to UK accredited and registered Housing Associations, Eligible Social Assets also includes mortgages to individuals/families purchasing their home under government backed schemes: • Shared Ownership, with an annual household income less than the national median[35]; • Right to Buy[36] schemes. Social benefit and target population: Supports universal access to decent housing which ultimately benefits individuals or families needing sheltered housing, individuals or families on low income and/or on income allowances or benefits, and homeless individuals.	• Shared ownership is capped at market value of the property.	**SDG 1** No poverty **SDG 10** Reduced inequalities **SDG 11** Sustainable cities and communities

31 Social Rent – Involves homes are provided by local authorities and housing associations. Rent levels are around 50-60% of market rents for the local area and rent increases are limited by Government. This usually results in a more secure, long-term tenancy than private renting.
32 A scheme open to a broader range of household incomes than social rent and involves homes provided by local authorities and Housing Associations with controls that ensure rents charged are no high than 80% of local market rent. This scheme is also sometimes known as Intermediate Rent.
33 A scheme which allows applicants to purchase a share of a property (between 25% and 75%) from a Housing Association, paying an affordable rent on the part still owned by the Housing Association. An individual's eligibility to access shared ownership housing is subject to certain criteria and conditions including household income cap.
34 A scheme where housing, support and sometimes care services are provided to help people to live as independently as possible in the community. Examples include care, nursing, and sheltered housing.
35 The median (5th decile) annual house income in the UK was £44,663 for 2020/2021. Source: Office of National Statistics (Table 14: Average household incomes, taxes and benefits of all individuals by decile group, 2020/21).
36 A scheme designed to allow long standing tenants of Housing Association-owned property to purchase the property at a discount to the market.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Affordable basic infrastructure			
Telecommunication infrastructure and services	• Development of information and communications technology (i.e. telecommunication services and related infrastructure) that improves connectivity for an underserved target population. • Activities which support digital inclusion for target populations.		**SDG 9** Industry, innovation and infrastructure
Transportation and transport infrastructure	• Development and maintenance of transportation and transport infrastructure that improves connectivity and/or accessibility in underdeveloped, low or middle income markets. • The development and maintenance of rural roads to enable access to essential services.	• Development of highways in urban areas. • Upgrade of highways and major roads, including in rural areas. • Development of airports. • Privatisation of highways. • Construction of toll booths. • Infrastructure which falls under our general exclusions/External Sector Statements.	**SDG 11** Sustainable cities and communities
Energy Infrastructure	• Development and expansion of transmission and distribution infrastructure that provides access to clean energy in underserved and emerging markets.		**SDG 7** Affordable and clean energy
Water and sanitation infrastructure	• Development, operation, refurbishment and maintenance of water, sewer and sanitation related infrastructure to ensure access to safe and affordable drinking water and equitable sanitation and hygiene to the target population.	• Desalination projects without appropriate waste management plan for brine disposal or with dedicated on-site fossil fuel power.	**SDG 6** Clean water and sanitation

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Access to essential services			
Healthcare	• Development, expansion or acquisition of any buildings or facilities at any hospital, clinic, mental health facility or healthcare facility, including community-based healthcare that improves access to safe and affordable health care to the target population. • Research and development of new medicines, treatments, vaccines or health equipment to provide access to medicines that will be affordably priced or subsidised to the target population. • Development, provision or distribution of medical equipment that improves access to safe and affordable health care to the target population. • Provision of affordably priced or subsidised medicines on the World Health Organisation (WHO) essential medicines list to target populations. • Infrastructure, equipment, training or financing to address a public health crisis emergency response (including Covid-19).	• Private healthcare facilities that are for-profit.	**SDG 3** Good health and well-being
Education	• Construction, development, expansion or operation of education facilities (including public universities, schools, colleges, training centres) to promote access to affordable and quality education to the target population. • Projects to train educational professionals, for example sponsorship or apprenticeship programmes, in skills which are currently/expected to be in demand in the UK.	• Private schools that are for-profit.	**SDG 4** Quality education
Access to financing	• Financing/advisory services for micro, small, and medium-sized enterprises, for example community banking programmes which provide wholesale finance to community lenders to deprived regions.	• Payday loans. • High interest Monetary Financial Institution (MFI) loans. • Loans to businesses involved in weapons or ammunition.	**SDG 8** Decent work and economic growth
Employment generation			
Employment generation	• Capability building and services aimed at improving the employability and upskilling a target population to achieve productive employment and decent work for occupations that are currently/expected to be in shortage in the UK. • Support micro, small and medium sized enterprises that qualify on the basis of credible job creation, entrepreneurship and innovation programmes for target populations and which will provide real economy impacts for the region in which they operate.	• Payday loans. • High interest MFI loans. • Loans to businesses involved in weapons or ammunition. • Commercial development and private sector projects for carbon intensive industries. • Institutions that are for-profit.	**SDG 8** Decent work and economic growth

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Food security and sustainable food systems			
Food and water security	• Investment in the manufacture, logistics, provision and distribution of nutrition (food and potable water) that address malnutrition and food security for a target population.	• Promotion of agricultural products that are forbidden under WHO Class I & II hazardous products. • Projects involving livestock for industrial-scale meat processors or producers.	**SDG 2** Zero hunger
Sustainable food systems	• Investment in infrastructure to reduce food losses along the production and supply lines including efficient farming practices, adequate storage facilities and improved food conservation and connectivity, provided such infrastructure does not meet any of the exclusions outlined in this Framework.	• Promotion of agricultural products that are forbidden under WHO Class I & II hazardous products. • Projects involving livestock for industrial-scale meat processors or producers.	**SDG 2** Zero hunger
Socioeconomic advancement and empowerment			
Socioeconomic advancement and empowerment	• Financing to organizations that enable socioeconomic advancement and empowerment to ethic minority background and female led businesses. • Provision of technology to target social populations.	• Businesses cannot be in contradiction with the rest of the eligibility and exclusionary criteria outlined in this document.	**SDG 5** Gender equality **SDG 10** Reduced inequalities
Community Development Financial Institutions	• Financial support to small regional community banks who lend to MSMEs, including ethnic minority and female led entrepreneurs in deprived regions.	• Religious and political institutions. • Businesses that fall under our general exclusions/External Sector Statements.	**SDG 17** Partnerships for the goals

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Financing Charities & Non-Profit Institutions			
Financing Registered Charities	• Financial support for the activities of registered charities, and other philanthropic organisations with the specific purpose of supporting programs aimed at benefitting vulnerable populations including beneficiaries living below the poverty line, people with disabilities, migrants/displaced persons, the undereducated, unemployed, the homeless and access to housing, victims of financial and domestic abuse, victims of modern slavery and human trafficking and vulnerable groups as a result of natural disasters and/ or have the specific purpose to advance the green/social activities defined in this Framework.	• Religious and political institutions. • Private schools registered as charities.	**SDG 17** Partnerships for the goals

Schedule

02

Use of proceeds products – Lloyds-specific Sustainable Financing Framework Eligibility Assessment Protocol

1 Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	**Types of Financing Framework**	Green/Social Loans are defined as any type of debt instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible projects. Green/Social Loans must align with the four components of the GLP or SLP.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework.	Lloyds intends to use the Framework to guide their lending activities with regards to green and/or social loans referred to as "Use of Proceeds products", to finance or refinance Eligible Green and/or Social activities. DNV confirms that the Use of Proceeds products outlined in the Framework align with the definition of "Use of Proceeds Loans".
1b	**Green and Social Project Categories**	The cornerstone of a Green/Social Loan is the utilisation of the proceeds which should be appropriately described in the legal documentation for the security.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence Reviewed: • Lloyds Sustainable Financing Framework.	Lloyds will only offer its Use of Proceeds products to borrowers who intend to use the proceeds to finance projects falling under the following Eligible Green and Social Categories: **Eligible Green Categories:** • Energy Generation, Transmission, Distribution, and Storage (focusing on Renewable and Low Carbon Energy). • Built Environment (focussing on Green Buildings). • Energy Efficiency. • Environmentally Sustainable Management of Living Natural Resources and Land Use. • Sustainable Water and Wastewater Management. • Climate Change Adaptation. • Terrestrial and Aquatic Biodiversity Conservation. • Circular Economy-Adapted Products, Production Technologies and Processes and/or Certified Eco-Efficient Products. • Pollution Prevention and Control. • Clean Transportation.

1 Use of proceeds continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1b	**Green and Social Project Categories** continued			**Eligible Social Categories:** • Affordable Housing. • Affordable Basic Infrastructure. • Access to Essential Services. • Employment Generation. • Food Security and Sustainable Food Systems. • Socioeconomic Advancement and Empowerment. • Financing Charities & Non-Profit Institutions. DNV confirms that the eligible activities fall within the definition of Eligible Categories, as outlined in the Framework and Schedule 1 of this opinion, and that they are consistent with the GLPs and the SLPs. We can conclude the Framework appropriately describes the proposed utilisation of proceeds, and that the specificities of each Use of Proceeds loan product will need to be further assessed on an individual basis.
1c	**Green and Social benefits**	All designated sustainability project categories should provide clear environmental and/or social benefits, which, where feasible, will be quantified or assessed by the borrower.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence Reviewed: • Lloyds Sustainable Financing Framework. • Lloyds Environmental Sustainability Report 2022 (Link). • Lloyds Social Sustainability Report 2022 (Link). • Lloyds Banking Group Net Zero Activity Update 2022 (Link). • Lloyds Banking Group External Sector Statements (Link).	Lloyds has provided description for the types of Eligible Green and/or Social activities that it intends to offer its Use of Proceeds products to, under the Framework. Lloyds has also prioritised activities that will help support progress towards delivering on its sustainability objectives and contribute positively to the UN SDGs. The Group has mapped the alignment to the Goals for each Eligible Green and Social Category. Where possible, the Eligible Green and Social Categories and activities under each, are aligned to market-leading standards and taxonomies, such as the EU Taxonomy Technical Screening Criteria (TSC) or the Climate Bonds Initiative Taxonomy (CBI). The Use of Proceeds eligibility criteria outlined in Schedule 1 complements wider sustainability targets set by Lloyds with respect to Environmental and Social Sustainability. DNV can also confirm that Lloyds has committed to excluding activities from the Framework which do not align with Lloyds' core goal of increasing environmental and social sustainability. These exclusions are detailed in Schedule 1 and complemented by Lloyds' External Sector Statements. The evidence reviewed gives us the opinion that future lending products to be issued under Framework will deliver clear environmental and/or social benefits.

1 Use of proceeds continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1d	**Target Populations**	All designated Social Loans defined under the Use of Proceeds should be dedicated to vulnerable target populations.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence Reviewed: • Lloyds Sustainable Financing Framework.	DNV can confirm Lloyds' commitment that in any case social finance is being undertaken, one or more vulnerable target population(s) will benefit. Schedule 1 provides a non-exhaustive list of target populations for social finance.

2 Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	**Investment-decision process**	The borrower of a Green/Social Loan should outline the decision-making process it follows to determine the eligibility of projects using the proceeds	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework.	DNV can confirm Lloyds has specified the eligibility criteria for each type of green and social activity as detailed in the Green and Social Eligibility Criteria tables of its Framework. Lloyds has **separate business units** which will carry out their own process for evaluation and selection: • The Group Retail Lending business unit – which oversees Homes and Motor lending • The Business & Commercial Banking (BCB) – which oversees lending to clients with a turnover of £100m or lower; and • The Corporate and Institutional Banking (CIB) business unit – which oversees lending to clients with a turnover of £100m or higher. **The Consumer Lending business unit:** This unit uses an automated system to determine the Green credentials of the Use of Proceeds products. Potential borrowers apply for financing through the Lloyds website to apply for finance. The loan will be classified as 'eligible' under the Framework, if the use of loan proceeds aligns with the eligibility criteria as outlined in the Framework and Schedule 1 of this opinion, for the following Eligible Green Categories: • Clean Transportation. • Built Environment (i.e. Green Buildings). Due to the small size of the loans provided by the Group Retail Lending business unit, Lloyds will use source data to validate the type of activity and its alignment with the applicable eligibility criteria as per the Framework. This process is supported by the Group's Three Lines of Defence model. These three lines are as follows: **First Line:** Business lines and functional areas serve as the first line and have the primary responsibility for decision making as well as the identification, measuring, monitoring, and controlling of the application to the Framework. **Second Line:** Risk Division. This is a centralised function and is headed by the Chief Risk Officer. They will engage with the first line and challenge the effectiveness of risk decisions and ensuring mitigating actions are appropriate. **Third Line:** Group internal audit. This group provides independent assurance to the Audit Committee and Board through the provision of reviews and engagement with committees and executive management. Group Internal Audit reports to Group Audit Committee.

2 Process for Project Selection and Evaluation continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	**Investment-decision process** continued			**The Business & Commercial Banking (BCB) unit:** Lloyds has confirmed that, due to the small size of the loans provided by the BCB business unit, Lloyds will use source data to validate the type of activity and its alignment with the applicable eligibility criteria as per the Framework. This process is also supported by the Group's Three Lines of Defence model. **The Corporate and Institutional Banking (CIB) business unit:** The CIB business units, which typically oversee larger transactions, will expect clients to display three requirements as reasonably required by the Group, and as set out in the GLPs and the SLPs: • Communicate the environmental and/or social sustainability objectives of the respective green and/or social activity. • The borrower is expected to display how the activities align with the Use of Proceeds section of the Framework. • Any additional and contextual information on the processes by which the borrower identifies and manages perceived, actual – or potential environmental and/or social risks – that are associated with the relevant project(s), as required by Lloyds' Sustainability team. Lloyds has confirmed that, in order to be eligible for Green and/or Social Use of Proceeds financing, all activities must be clearly aligned to the requirements as set out in the Use of Proceeds section of the Framework. This includes the Green and Social Eligibility Criteria tables and taking into account the exclusions that the Group has outlined. DNV concludes that the activities to be financed by future issuances will be appropriately evaluated and selected as outlined within Lloyds' Framework, and that they meet the requirements under the GLPs and the SLPs. DNV further notes Lloyds' commitment to ensuring that, should a "Declassification Event" (as defined in the financing agreement) occur in relation to a Use of Proceeds product, the loan product will be treated as a conventional loan, with any margin discount ceasing to apply.

2 Process for Project Selection and Evaluation continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2b	**Issuer's environmental, social and governance framework**	In addition to the information disclosed by a borrower on its Loan process, criteria and assurances, Loan investors may also take into consideration the quality of the issuer's overall framework and performance regarding sustainability.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence Reviewed: • Lloyds Sustainable Financing Framework. • Lloyds Environmental Sustainability Report 2022 (Link). • Lloyds Social Sustainability Report 2022 (Link). • Lloyds Banking Group Net Zero Activity Update 2022 (Link).	DNV has reviewed evidence showing that the Framework forms part of a wider sustainability strategy, which includes policies, targets and plans, pertaining to the environmental and social performance of the financing. Lloyds, as a signatory of the Net Zero Banking Alliance (NZBA), has committed to Net Zero on their banking activity by 2050. The Group has also set an interim target of halving their emissions by 2030 on a 2019 baseline. The Group is committed to having a positive social and environmental impact and its efforts can be widely observed. For instance, in 2022, over £2.1 billion of funding was provided for electric and plug-in hybrid vehicles, and the Group delivered £3.5 billion for green mortgages to help drive growth[37]. Lloyds has also provided £7.9 billion to corporate and institutional customers to support their transition to a low carbon economy, and £11.7 billion through Scottish Widows to fund climate-awareness strategies[38]. Wider efforts can also be observed in the social housing sector, seeing the Group having provided £2.1 billion to drive impact, and it has also provided £14.3 billion to first-time home buyers[39]. A core component of Lloyds' sustainability strategy is the advancement of social finance. The Group has, for instance, targeted an increase in charitable donations, and pledge a commitment to support charities. The Group has also introduced their "cost-of-living" hub, which serves to advise customers on personal finance. The evidence reviewed gives DNV the opinion that the Framework is in line with Lloyds' wider approach to managing environmental and social sustainability governance.

37 Lloyds Banking Group | Environmental Sustainability Report 2022 (online).
38 Ibid.
39 Lloyds Banking Group | Social Sustainability Report 2022 (online).

3 Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	**Tracking procedure**	The net proceeds of a Loan should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the borrower in an appropriate manner and attested to by a formal internal process that will be linked to the borrower's lending and investment operations for Sustainability Projects.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence Reviewed: • Lloyds Sustainable Financing Framework.	Lloyds has confirmed that each borrower to which the Framework applies, will be required to hold the proceeds of the underlying loan in a sub-account, or to otherwise track those funds in its internal systems. This will be tracked by managed practically through the Lloyd's client relationships. The tracking of the proceeds by Lloyds, will be dependent on the nature, sector, and size of the borrower, and managed by the following teams: • For Asset Finance deals, Lloyds will send the proceeds from the loan product to the supplier directly. • For Term Loans, Lloyds will rely on the Terms and Conditions of the loan, i.e. the Facility Letter, which confirms the use of proceeds. • In the case of Clean Growth Financing Initiative (CGFI) loans, Lloyds will rely on either the Terms and Conditions of the loan i.e. the Facility Letter or the side letter to the client, which confirms the use of proceeds. Based on the evidence reviewed, it is DNV's opinion that Lloyds is committed to appropriately tracking the crediting and use of proceeds from its Use of Proceeds products.
3b	**Tracking procedure**	So long as the Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green or social investments or loan disbursements made during that period.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence Reviewed: • Lloyds Sustainable Financing Framework.	Lloyds has confirmed that, in line with the Group's internal monitoring processes for Use of Proceeds financing, business teams will work with their clients to monitor loan proceeds. This will vary depending on the nature, sector and size of the borrower. For instance: • For asset finance transactions, the Group will settle the invoice for the capital expenditure. • For real estate transactions, loan drawdowns will be against development milestones or building certification. • Project finance transactions will have project accounts and will be subject to project delivery milestones. • CIB lending will typically have capital expenditure or investment milestones documented within the facility agreement or side letter. • BCB lending will have a more ad-hoc approach to management of proceeds, whereby proceeds will be tracked through Lloyds' regular relationship management contacts with clients. Having reviewed the evidence, DNV concludes that Lloyds has an appropriate procedure to track periodical disbursements from the Use of Proceeds products, depending on the nature, sector and size of the borrower, and this is in line with the GLPs and the SLPs.

3 Management of proceeds continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3c	**Temporary holdings**	Pending such investments or disbursements to eligible Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence Reviewed: • Lloyds Sustainable Financing Framework.	On the basis of the evidence reviewed, it is DNV's understanding that the management of unallocated proceeds will not be the responsibility of the borrower. As such, this requirement is not applicable to the Use of Proceeds products offered by Lloyds to its clients under the Framework.

4 Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	**Periodical reporting**	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Loan proceeds have been allocated including – when possible with regards to confidentiality and/or competitive considerations – a brief description of the projects and the amounts disbursed, as well as the expected environmental or social sustainable impact.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework.	Lloyds has confirmed that the separate business units have different reporting requirements, which will depend on the size of the loan, the type of customer, and the type of eligible green activity and/or social activity. Lloyds' CIB clients will be required to provide evidence they have and keep readily available up-to-date information on the Use of Proceeds of the loan product, that has been provided to them. Where practical, CIB clients will also be required to report on the allocations of those proceeds for Lloyds to review annually until the green/social loan reaches maturity, or the loan proceeds have been fully drawn, whichever is sooner. In terms of Impact Reporting, for CIB clients, Lloyds will typically document ESG reporting requirements (e.g., generation capacity, number of smart meters installed, number of homes passed/connected to fibre, etc.) within the wider financial reporting requirements within the facility letter. Where certification is key to determining Green Use of Proceeds (e.g., EPC rating, organic farming certification, etc.), Lloyds will require a completion certificate to be provided to the Group. For BCB lending, formal reporting is not generally a requirement. Instead, Lloyds has confirmed that this will be practically reviewed between the Relationship Manager and the client, through their regular engagement. DNV further notes that certification evidence will still be required where this is a determinant of Use of Proceeds. For Group Retail customers, for example with Homes and Motor financing, Lloyds does not require clients to provide data to support a loan. This is because the loan is provided for a specific purpose in line with the applicable Eligible Green Criteria and DNV understands that allocation reporting can be implied on that basis. Lloyds, as the lender, has explained that it will not seek formal annual impact reporting from its retail and Small & Medium Enterprise (SME) customers due to the complications this may provide for its smaller borrowers. It is the intention of the Framework to encourage Green and Social lending to small borrowers, and this forms a part of Lloyds' medium and long-term Sustainable lending goals. DNV notes that, for SME lending, any impact from the use of proceeds will be practically reviewed between the Relationship Manager and the client, through their regular engagement. DNV further notes that formal Impact Reporting is encouraged within the GLP and the SLP, and that Lloyds is committed to capturing the impact from its lending products under the Framework where practical and feasible. On the basis of the evidence reviewed, DNV concludes that the Framework meets the requirements of the GLPs and the SLPs in terms of Allocation Reporting. In terms of Impact Reporting, DNV concludes that Lloyds will endeavour to capture this information where practical, in line with the recommendations of the GLPs and the SLPs.

Schedule

03

Sustainable business financing instruments – Lloyds-specific Sustainable Financing Framework Eligibility Assessment Protocol

1 Use of proceeds

DNV notes that where 90% or more of a client's primary activities by revenue align with the Green and/or Social Eligibility Criteria tables as per the Framework, Lloyds intends to tag the transactions with such clients as Sustainable Business Financing. Considering the requirement for clients to have 90% or more of their revenues aligning with the same Green and/or Social Eligibility Criteria as used for Use of Proceeds products under the Framework, we have established a protocol in line with the GLPs and the SLPs, for the purposes of assessing Sustainable Business Financing.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	**Types of Financing Framework**	Green/Social Loans are defined as any type of debt instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible projects. Green/Social Loans must align with the four components of the GLPs or SLPs.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework.	Lloyds has confirmed that the type of loans for Sustainable Business Financing are typically general corporate purpose loans, although they can also be a combination of Use of Proceeds and Sustainability-linked financing. In the latter case, Lloyds commits to the loan being in line with the sustainability-linked financing requirements as per the Framework. For general corporate purposes loans that qualify as Sustainable Business Financing, DNV notes that 90% or more of the client's revenue are to be generated from eligible green and/or social activities, as per the eligibility criteria set out in the Framework and in Schedule 1 of this opinion. Lloyds further confirms that none of the client's revenue can be generated from activities listed in the exclusions list within the Framework, or within Lloyds' External Sector Statements. On the basis of the evidence reviewed, it is DNV's opinion that the Sustainable Business Financing loans which are for general corporate purposes can be considered as aligning with the definition of green loans within the GLPs and social loans within the SLPs.

1 Use of proceeds continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1b	**Green and Social Project Categories**	The cornerstone of a Green/Social Loan is the utilisation of the proceeds which should be appropriately described in the legal documentation for the security.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence Reviewed: • Lloyds Sustainable Financing Framework.	Lloyds has confirmed that it will only tag client transactions as Sustainable Business Financing provided that: • 90% or more of the client's revenue are generated from eligible green and/or social activities, as per the eligibility criteria set out in the Framework and in Schedule 1 of this opinion; and • None of the client's revenue is generated from activities listed in the exclusions list within the Framework or within Lloyds' External Sector Statements. 90% or more of the client's revenue need to be generated from Eligible Green and/or Social Categories as listed below and as per the eligibility criteria in the Framework: **Eligible Green Categories:** • Energy Generation, Transmission, Distribution, and Storage (focussing on Renewable and Low Carbon Energy). • Built Environment (focussing on Green Buildings). • Energy Efficiency. • Environmentally Sustainable Management of Living Natural Resources and Land Use. • Sustainable Water and Wastewater Management. • Climate Change Adaptation. • Terrestrial and Aquatic Biodiversity Conservation. • Circular Economy-Adapted Products, Production Technologies and Processes and/or Certified Eco-Efficient Products. • Pollution Prevention and Control. • Clean Transportation.

1 Use of proceeds continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1b	**Green and Social Project Categories** continued			**Eligible Social Categories:** • Affordable Housing. • Affordable Basic Infrastructure. • Access to Essential Services. • Employment Generation. • Food Security and Sustainable Food Systems. • Socioeconomic Advancement and Empowerment. • Financing Charities & Non-Profit Institutions. DNV confirms that the eligible activities and the relevant target populations fall within the definition of Eligible Categories as outlined in the Framework and Schedule 1 of this opinion, and they are consistent with the GLP and the SLP.
1c	**Green and Social benefits**	All designated sustainability project categories should provide clear environmental and/or social benefits, which, where feasible, will be quantified or assessed by the borrower.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence Reviewed: • Lloyds Sustainable Financing Framework. • Lloyds Environmental Sustainability Report 2022 (Link). • Lloyds Social Sustainability Report 2022 (Link). • Lloyds Banking Group Net Zero Activity Update 2022 (Link). • Lloyds Banking Group External Sector Statements (Link).	Lloyds has provided a description of the types of Eligible Green and/or Social activities which a Sustainable Business Financing client needs to align with on at least a 90% revenue basis. Where possible, the Eligible Categories and activities are aligned to market-leading standards and taxonomies such as the EU Taxonomy Technical Screening Criteria or Climate Bonds Initiative Taxonomy. Lloyds has also confirmed that none of the client's revenue should be generated from activities listed in the exclusions list within the Framework or within Lloyds' External Sector Statements. The evidence reviewed gives us the opinion that transactions tagged as Sustainable Business Financing under Framework will deliver clear environmental and/or social benefits.

1 Use of proceeds continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1d	**Target Populations**	All designated Social Loans defined under the Use of Proceeds should be dedicated to vulnerable target populations.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence Reviewed: • Lloyds Sustainable Financing Framework.	DNV can confirm Lloyds' commitment that, where a Sustainable Business Financing client aligns with the Social Eligibility Criteria within the Framework, at least one vulnerable target population would benefit. Schedule 1 provides a non-exhaustive list of target populations for social finance.

2 Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	**Investment-decision process**	The borrower of a Green/Social Loan should outline the decision-making process it follows to determine the eligibility of projects using the proceeds	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework.	Lloyds has confirmed that the Group will review a client's revenues against the green and social activities within the Framework to determine if 90% or more of the client's revenues align with the Green and/or Social Eligibility Criteria. DNV notes Lloyds' confirmation that this will be done practically through reviewing the client's annual reporting and accounts together with any additional information on client revenues that the Group has through its client relationship. Lloyds has further confirmed that the Group will regularly review continuing achievement of the Sustainable Business Financing thresholds through its ongoing relationship management with the client. DNV concludes that Lloyds has an appropriate evaluation and selection process to tag a client transaction as Sustainable Business Financing, and that this is in line with the GLP and the SLP.
2b	**Issuer's environmental, social and governance framework**	In addition to the information disclosed by a borrower on its Loan process, criteria and assurances, Loan investors may also take into consideration the quality of the issuer's overall framework and performance regarding sustainability.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence Reviewed: • Lloyds Sustainable Financing Framework. • Lloyds Environmental Sustainability Report 2022 (Link). • Lloyds Social Sustainability Report 2022 (Link). • Lloyds Banking Group Net Zero Activity Update 2022 (Link).	DNV has reviewed evidence showing that the Framework forms part of a wider sustainability strategy which includes policies, targets and plans pertaining to the environmental and social performance of finance. Lloyds, as a signatory of the Net Zero Banking Alliance (NZBA), has committed to Net Zero on their banking activity by 2050, with an interim target of halving their emissions by 2030 on a 2019 baseline. The Group Retail Lending unit has ambitions towards green transport and mortgage lending of £8bn and £10bn respectively by 2024. The Commercial Banking business has set a 2024 target of £15bn for lending to their corporate and institutional clients. A core component of Lloyds' strategy is the advancement of social finance with Lloyds targeting an increase in charitable donations and support for charities. The Group has also introduced their "cost-of-living" hub which serves to advise customers on personal finance. The evidence reviewed gives DNV the opinion that the Framework is in line with Lloyds' wider approach to managing environmental and social sustainability governance.

3 Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	**Tracking procedure**	The net proceeds of a Loan should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the borrower's lending and investment operations for Sustainability Projects.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence Reviewed: • Lloyds Sustainable Financing Framework.	Lloyds has confirmed that transactions tagged as Sustainable Business Financing will typically be general corporate purpose loans. DNV also notes the requirement that 90% of the client's revenues need to align with the Green and/or Social Eligibility Criteria within the Framework, and none of client's revenue can be generated from activities listed in the exclusions list within the Framework or within Lloyds' External Sector Statements. Based on the evidence reviewed, it is DNV's opinion that proceeds from the loan will be used for general corporate purposes contributing to the 90%-aligned green and/or social revenue and that the tracking of net proceeds is not applicable in this case. For Sustainable Business Financing which is a combination of Use of Proceeds and/or Sustainability-linked financing, the applicable Use of Proceeds and/or Sustainability-linked financing requirements will apply as per the Framework.
3b	**Tracking procedure**	So long as the Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green or social investments or loan disbursements made during that period.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence Reviewed: • Lloyds Sustainable Financing Framework.	As transactions tagged as Sustainable Business Financing will typically be general corporate purpose loans, it is DNV's opinion that the tracking of periodic disbursements is not applicable. For Sustainable Business Financing which is a combination of Use of Proceeds and/or Sustainability-linked financing, the applicable Use of Proceeds and/or Sustainability-linked financing requirements will apply as per the Framework.
3c	**Temporary holdings**	Pending such investments or disbursements to eligible Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence Reviewed: • Lloyds Sustainable Financing Framework.	On the basis of the evidence reviewed, it is DNV's opinion that the requirement to disclose the type of temporary investment for the unallocated proceeds is not applicable to general corporate purpose loans tagged as Sustainable Business Financing under the Framework. For Sustainable Business Financing which is a combination of Use of Proceeds and/or Sustainability-linked financing, the applicable Use of Proceeds and/or Sustainability-linked financing requirements will apply as per the Framework.

4 Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	**Periodical reporting**	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Loan proceeds have been allocated including – when possible with regards to confidentiality and/or competitive considerations – a brief description of the projects and the amounts disbursed, as well as the expected environmental or social sustainable impact.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework.	Lloyds has confirmed that the Group will regularly review continuing achievement of the Sustainable Business Financing thresholds through its ongoing relationship management with the client. This review will be additionally independent and reviewed by the Group, as well as by the Relationship Management/Deal Team. On the basis of the evidence reviewed, it is DNV's opinion that Lloyds' commitment to regularly reviewing a client's Sustainable Business Financing thresholds goes towards the reporting requirements of the GLP and SLP. For Sustainable Business Financing which is a combination of Use of Proceeds and/or Sustainability-linked financing, the applicable Use of Proceeds and/or Sustainability-linked financing requirements will apply as per the Framework.

Schedule

04

Sustainability-Linked Loan Eligibility Assessment Protocol

1 Selection of Key Performance Indicators (KPIs)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	**KPI – material and core to sustainability and business strategy**	The borrower's sustainability performance is measured using sustainability KPIs that can be external or internal. The KPIs should be material to the issuer's core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector and be under management's control. The KPI should be of high strategic significance to the borrower's current and/or future operations. It is recommended that borrowers communicate clearly to investors the rationale and process according to which the KPI(s) have been selected and how the KPI(s) fit into their sustainability strategy.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework. • CB Green Assets Eligibility Forum (GAEF) TOR. • Product – SLL – SLL GAEF Template. • SFF Governance and Controls.	Lloyds has committed to working with the borrower to select one or more sustainability KPI(s), subject to the Group's approval and dependent on the nature of the business. Lloyds has further confirmed that the KPI(s) must be relevant, core and material to the borrower's overall business and of high strategic significance to the borrower's current and/or future operations and address relevant ESG challenges of the applicable industry sector. To assess the criteria, Lloyds' ESG Finance Team collaborates with clients to develop a materiality matrix from which the KPI(s) are selected. The materiality map can be determined based on the client's ESG strategy and other publicly available materiality maps such as the SASB Materiality Finder. Lloyds has confirmed that the Green Assets Eligibility Forum (GAEF) is responsible for reviewing and interpreting guidance to confirm eligibility for all Sustainability-Linked Loans (SLLs) and ESG-linked/KPI loans against the SLLP. GAEF consists of members across LBG including Portfolio analytics, BCB Lending & Working Capital, CIB Lending & Working Capital, CIB ESG Finance, Group Corporate Affairs, ESG & Reputational Risk, BCB Sustainability, LBCM, CB Sustainability & Responsible Business and Group Sustainability. GAEF is chaired by Managing Director of Portfolio Analytics, Digital Banking or Managing Director of BCB Lending & Working Capital. GAEF will meet on a weekly basis if required and follow-up through email if required. GAEF will provide a recommendation on all SLLs, which is the determining factor for whether a loan is classified as an SLL under the Framework. The evidence reviewed gives DNV the opinion that Lloyds is committed to ensuring the selected KPIs are material and core to the client's sustainability and business strategy, in line with the requirements of the SLLP.

1 Selection of Key Performance Indicators (KPIs) continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1b	**KPI – Measurability**	KPIs should be measurable or quantifiable on a consistent methodological basis; externally verifiable; and able to be benchmarked, i.e., as much as possible using an external reference or definitions to facilitate the assessment of the SPTs level of ambition. Borrowers are encouraged, when possible, to select KPI(s) that they have already included in their previous annual reports, sustainability reports or other non-financial reporting disclosures to allow investors to evaluate the historical performance of the KPIs selected. In situations where the KPIs have not been previously disclosed, borrowers should, to the extent possible, provide historical externally verified KPI values covering at least the previous 3 years.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework. • CB Green Assets Eligibility Forum (GAEF) TOR. • Product – SLL – SLL GAEF Template. • SFF Governance and Controls.	Lloyds has committed to working with the borrower to select one or more sustainability KPI(s) which are: • Measurable or quantifiable on a consistent methodological basis • Externally verifiable • Able to be benchmarked externally where possible DNV notes that Lloyds will assist clients in selecting KPI(s) that are already included in previous annual reports, sustainability reports or other non-financial reporting disclosures. Lloyds has stated that KPI(s) will be evaluated on a case-by-case basis, but external references will be used where possible as a benchmark. Lloyds has confirmed that the Green Assets Eligibility Forum (GAEF) is responsible for reviewing and interpreting guidance to confirm eligibility for all Sustainability-Linked Linked Loans (SLLs) and ESG linked/KPI loans against the SLLP. The evidence reviewed gives DNV the opinion that Lloyds is committed to ensuring the selected KPIs are measurable or quantifiable on a consistent methodological basis, externally verifiable, and able to be benchmarked, in line with the requirements of the SLLP.
1c	**KPI – Clear definition**	A clear definition of the KPI(s) should be provided and include the applicable scope or perimeter, as well as the calculation methodology	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework. • CB Green Assets Eligibility Forum (GAEF) TOR. • Product – SLL – SLL GAEF Template. • SFF Governance and Controls.	Lloyds has committed to working with the borrower to select one or more sustainability KPIs, for which a clear definition of the KPI(s) should be provided by the borrower. The KPI definition should include the applicable scope or parameters, as well as the calculation methodology, a definition of a baseline and be benchmarked against an industry standard and/or industry peers where feasible. Lloyds has confirmed that the Green Assets Eligibility Forum (GAEF) is responsible for reviewing and interpreting guidance to confirm eligibility for all Sustainability-Linked Linked Loans (SLLs) and ESG linked/KPI loans against the SLLP. The evidence reviewed gives DNV the opinion that Lloyds is committed to ensuring a clear definition is provided for the selected KPIs, in line with the requirements of the SLLP.

2 Calibration of Sustainability Performance Targets (SPTs)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	**Target Setting – Meaningful**	The SPTs should be ambitious, realistic, and meaningful to the borrower's business and be consistent with the issuers' overall strategic sustainability/ ESG strategy.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework. • CB Green Assets Eligibility Forum (GAEF) TOR. • Product – SLL – SLL GAEF Template. • SFF Governance and Controls.	Lloyds has committed that the SPTs set by the client will be ambitious and consistent with the borrower's overall sustainability and business strategy. All SPTs set by the borrower will be reviewed by GAEF against the SLLP, considering some or all of the below factors as applicable: • How the SPTs go beyond the 'business as usual' scenario and are ambitious and meaningful; • A clear roadmap as to how the business will achieve SPTs through highlighting the key levers/actions that are expected to drive the borrower's performance towards the SPTs as well as their expected impact, in quantitative terms wherever possible; • Any other key factors beyond the client's direct control that may affect the achievement of the SPTs. On the basis of the evidence reviewed, it is DNV's opinion that Lloyds is committed to ensuring that the SPTs set by the client are ambitious, realistic, meaningful to the client's business and consistent with the client's overall strategic sustainability/ESG strategy as applicable, in the SLLP.
2b	**Target Setting – Meaningful**	SPTs should represent a material improvement in the respective KPIs and be beyond a "Business as Usual" trajectory; where possible be compared to a benchmark or an external reference and be determined on a predefined timeline, set before (or concurrently with) the issuance of the loan.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework. • CB Green Assets Eligibility Forum (GAEF) TOR. • Product – SLL – SLL GAEF Template. • SFF Governance and Controls.	Lloyds has committed that all the SPTs set must represent a material improvement in the respective KPIs beyond a 'Business as Usual' trajectory. All SPTs set by the borrower/issuer will be reviewed by GAEF against the SLLP, considering some or all of the below factors as applicable: • Objective and valid reference point for the SPT, e.g., using science-based scenarios such as the Science Based Target initiative, "Paris" alignment[41], or other official pathway; • Where relevant, the verified baseline or science-based reference point selected for improvement, including the rationale for the baseline or reference point to be used; • SPTs should be determined on a predefined timeline, set before (or concurrently with) the issuance of the loan as outlined in the SLLP. Lloyds has further confirmed that clients will need to set annual SPTs for each KPI where reasonably practical. The evidence reviewed gives DNV the opinion that Lloyds will ensure the SPTs set by the client represent material improvement in the KPIs beyond a 'Business as Usual' trajectory, and that they are compared to a benchmark or external reference and determined on a predefined timeline, where applicable, as per the SLLP.

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2 Calibration of Sustainability Performance Targets (SPTs) continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2c	**Target Setting – benchmarks**	The target setting exercise should be based on a combination of benchmarking approaches: 1. The borrower's own performance over time for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended and when possible forward-looking guidance on the KPI 2. The SPTs relative positioning versus the issuer's peers where comparable or available, or versus industry or sector standards 3. Systematic reference to science-based scenarios, or absolute levels (e.g. carbon budgets) or official country/regional/international targets or to recognised Best-Available-Technologies or other proxies.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework. • CB Green Assets Eligibility Forum (GAEF) TOR. • Product – SLL – SLL GAEF Template. • SFF Governance and Controls.	Lloyds has committed that the SPTs set will be based on recent performance levels and be based on a combination of benchmarking approaches, including: • The issuer's own performance over time for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended and when possible forward-looking guidance on the KPI; • The SPTs relative positioning versus the client's peers where comparable or available, or versus industry or sector standards; • Systematic reference to science-based scenarios, or absolute levels (e.g. carbon budgets) or official country/regional/international targets or to recognised Best-Available-Technologies or other proxies. The evidence reviewed gives DNV the opinion that Lloyds will ensure its clients follow a target setting exercise using a combination of benchmarking approaches in line with the SLLP.

2 Calibration of Sustainability Performance Targets (SPTs) continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2d	**Target setting – disclosures**	Disclosures on target setting should make clear reference to: 1. The timelines of target achievement, the trigger event(s), and the frequency of SPTs; 2. Where relevant, the verified baseline or reference point selected for the improvement of the KPIs as well as the rationale for that baseline or reference point to be used; 3. Where relevant, in what situations recalculations or pro-forma adjustments of baselines will take place; 4. Where possible and taking into account competition and confidentiality considerations, how the borrowers intend to reach such SPTs.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework. • CB Green Assets Eligibility Forum (GAEF) TOR. • Product – SLL – SLL GAEF Template. • SFF Governance and Controls.	Lloyds has confirmed that all the SPTs set by the client will be reviewed by GAEF against the SLLP, considering the factors below as applicable: • Timelines for the target achievement including target observation date(s)/period(s), the trigger event(s), and the frequency of review of the SPTs; • Where relevant, the verified baseline or science-based reference point selected for improvement, including the rationale for the baseline or reference point to be used; • Where relevant, in what situations recalculations or pro-forma adjustments of baselines will take place; • Any other key factors beyond the client's direct control that may affect the achievement of the SPTs. On the basis of the evidence reviewed, it is DNV's opinion that Lloyds is committed to ensuring the SPTs make clear reference to the timelines for target achievement, the verified baseline or science-based reference point and situations for recalculations or pro-forma adjustments of baselines as applicable, in line with the SLLP.

3 Financial Characteristics

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	**Loan Characteristics – SPT Financial/ structural impact**	The SLL will need to include a financial and/or structural impact involving trigger event(s) based on whether the KPI(s) reach the predefined SPT(s).	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework. • CB Green Assets Eligibility Forum (GAEF) TOR. • SFF Governance and Controls.	Lloyds has confirmed that the Sustainability-Linked Instruments to be issued will include terms by which an economic outcome is linked to the predefined SPTs being met or not. Each loan agreement will set out the terms including the financial and/or structural characteristics which vary depending on whether the selected KPIs achieve the predefined SPTs (or not). These characteristics will typically involve an interest margin ratchet. The specific ratchet structure will be dependent on various factors (e.g. size of the loan, number and type of KPIs) and will be assessed and checked by the GAEF to ensure it is line with market standards. DNV can confirm that Lloyds is committed to ensuring each loan agreement includes the financial and/or structural characteristics linked to the achievement of the predefined SPT(s) (or not), in line with the requirements of the SLLP.
3b	**Loan Characteristics – Fallback mechanism**	Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner should be explained. Borrowers may also consider including, where needed, language in the loan documentation to take into consideration potential exceptional events.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework.	Lloyds has confirmed that an SLL loan agreement will typically include a rider/rendezvous clause, whereby if a KPI can no longer be calculated or is no longer (materially) applicable to the borrower, then the borrower and lenders will consult to replace or remove the KPI. DNV can confirm that this is in line with the requirements of the SLLP.

4 Reporting commitments

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	**Reporting**	Issuers of SLB/SLLs should publish, and keep readily available and easily accessible: 1. Up-to-date information on the performance of the selected KPI(s), including baselines where relevant 2. A verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the loan's financial and/or structural characteristics 3. Any information enabling investors to monitor the level of ambition of the SPTs This reporting should be published regularly, at least annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the SLB and/or SLL's financial and/or structural characteristics.	Evidence reviewed: • Lloyds Sustainable Financing Framework. • CB Green Assets Eligibility Forum (GAEF) TOR. • SFF Governance and Controls • CMA User Guide_ESG KPIs_v2.	Lloyds has confirmed that the borrower will be responsible for reporting on the performance of the agreed KPIs against the SPTs. After the first round of reporting, annual reporting will be provided, where possible. DNV notes that the reporting may include: • Demonstration of achievement or not of the SPTs along with the External Reviewer's assessment of the KPI performance against the SPTs and related procedures outlining: o The selected KPI(s), including the baseline where relevant; o The performance against the SPTs and the related impact, and timing of such impact, on a financial instrument performance; o Any relevant information enabling the Group to monitor the progress of the KPI(s). • Information may also include when feasible and possible: o Illustration of the positive sustainability impacts of the performance improvement (qualitative or quantitative); and/or o Any re-assessments of KPI(s) and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope, if relevant. • On a best endeavours basis, the client should publicly report information relating to their SPTs for transparency. This information will often be included in a client's integrated annual report, sustainability report or separate sustainability-linked impact report. It is DNV's opinion that Lloyds has appropriately committed to the reporting requirements for SLLs, and this is in line with the requirements as set out under the SLLP.
4b	**Second Party Opinion**	Publication of any pre-issuance external review, such as a second party opinion, or if relevant a verification of baselines.	Evidence reviewed: • Lloyds Sustainable Financing Framework.	Lloyds has commissioned a pre-signing SPO to confirm the Framework's alignment with the LMA SLLP, by way of this assessment. DNV's assessment confirms Lloyds' commitment to aligning with the SLLP for issuances under the Framework.

5 Verification

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
5a	**External Verification**	Issuers should have their performance against each SPT for each KPI independently verified by a qualified external reviewer with relevant expertise, at least once a year, and for each SPT trigger event.	Evidence reviewed: • Lloyds Sustainable Financing Framework. • CB Green Assets Eligibility Forum (GAEF) TOR. • SFF Governance and Controls.	Lloyds has committed that borrowers must obtain independent and external verification of their performance against the SPTs for each KPI on an annual basis at least. Lloyds has confirmed that the borrower must provide a sustainability compliance certificate along with third-party verification by a qualified external reviewer with relevant expertise. Lloyds has also stated that this should be provided at least annually, within the agreed time frame as noted within the facility or finance agreement. Lloyds will further recommend that the verification of performance against the SPTs be made publicly available where appropriate. Lloyds has confirmed that, where a regulated entity (e.g., water/electricity/gas utilities, universities, housing associations) is using the same data for one or more KPIs that they submit to their national regulator, the Group may accept this data submission to be equivalent to independent external verification. Where a KPI metric relates to a public certification (such as an EPC rating, a SAP score or other external formal audit or recognised certification, ratings or benchmarking process), Lloyds has confirmed that it may accept the report or certification in place of independent external verification. In either scenario, the Group may still request independent external verification to address any data concerns. DNV can confirm Lloyds' commitment to verification is in line with the requirements of the SLLP.