



COAL SECTOR STATEMENT

At Lloyds Banking Group, doing business responsibly involves managing risk effectively, making the right decisions and doing the right things for our customers, shareholders and our colleagues. We expect that our corporate customers comply with applicable international conventions, sanctions and embargoes, legislation, and licensing requirements. We also expect them to show a clear commitment to robust Ethical, Social and Environmental (ESE) risk management, including health and safety, environmental and social impact, and to be transparent in the way that they manage these and other risks.

Scope and approach

This sector statement applies to the Group's lending activities, and reflects the approach we take to risk assessment with our customers.

We periodically review all of our customers in the coal sector and where they appear to be operating outside of our risk parameters, we work with them to understand how they will meet our requirements. If this does not happen, we will stop lending to them at the earliest opportunity.

Requirements

In all sectors which experience heightened ESE risk, we aim to work with customers who:

- implement effective, market-based solutions that take into account any social and environmental concerns about their operations
- operate safely and securely within a defined framework that upholds human rights
- align their operations with the principles of this framework and with the United Nations Global Compact's labour, environment and anti-corruption standards
- assess the long-term impact of their activities across the entire supply chain, considering indigenous people and local communities specifically.

Lloyds Banking Group is a signatory to the Equator Principles and ensures their application in all project finance activity.

The coal sector

Our approach applies to all customers involved in the following activities:

Coal mining	<ul style="list-style-type: none">• Exploration• Coal mine construction• Coal mine operation
Coal power	<ul style="list-style-type: none">• Thermal coal power generation
Other	<ul style="list-style-type: none">• Provision of services or supply of equipment to coal-fired power stations and/or thermal coal mines

Lloyds Banking Group will not:

- Finance new¹ coal-fired power stations or thermal coal mines;
- Provide general purpose banking or funding to new clients if the majority of their revenue comes from operation of coal-fired power stations and/or thermal coal mines;
- Finance (whether for any new or existing client) any coal mine using the mountain-top-removal technique.

The Group will continue to work with existing clients whose operations include coal mining or power generation from coal, or who supply equipment or services to these sectors.

We actively engage with and encourage these clients to reduce their reliance on revenue from these sources, and to transition to a lower-carbon economy, in line with the aims of the Paris Agreement.

We expect our existing clients operating coal-fired power stations to be able to demonstrate monitoring of greenhouse gas (GHG) emissions and/or demonstrate compliance with applicable GHG regulations.

Existing clients whose overall operations include coal mining and coal power generation or who supply equipment or services to the sector will be expected to be able to demonstrate a clear transition to reducing their reliance on revenue from coal fired power stations and / or thermal coal mines.

¹New projects include: - completely new plants, major expansions to existing plants and existing plants/customers where the Group does not already provide facilities. For the purpose of this statement, the term financing/finance also covers all types of related banking or capital market products and services, including guarantees, letters of credit, swaps, and other associated facilities.