LLOYDS BANKING GROUP

Building a sustainable and inclusive future

Lloyds Banking Group
Sustainability Report 2024

In this section

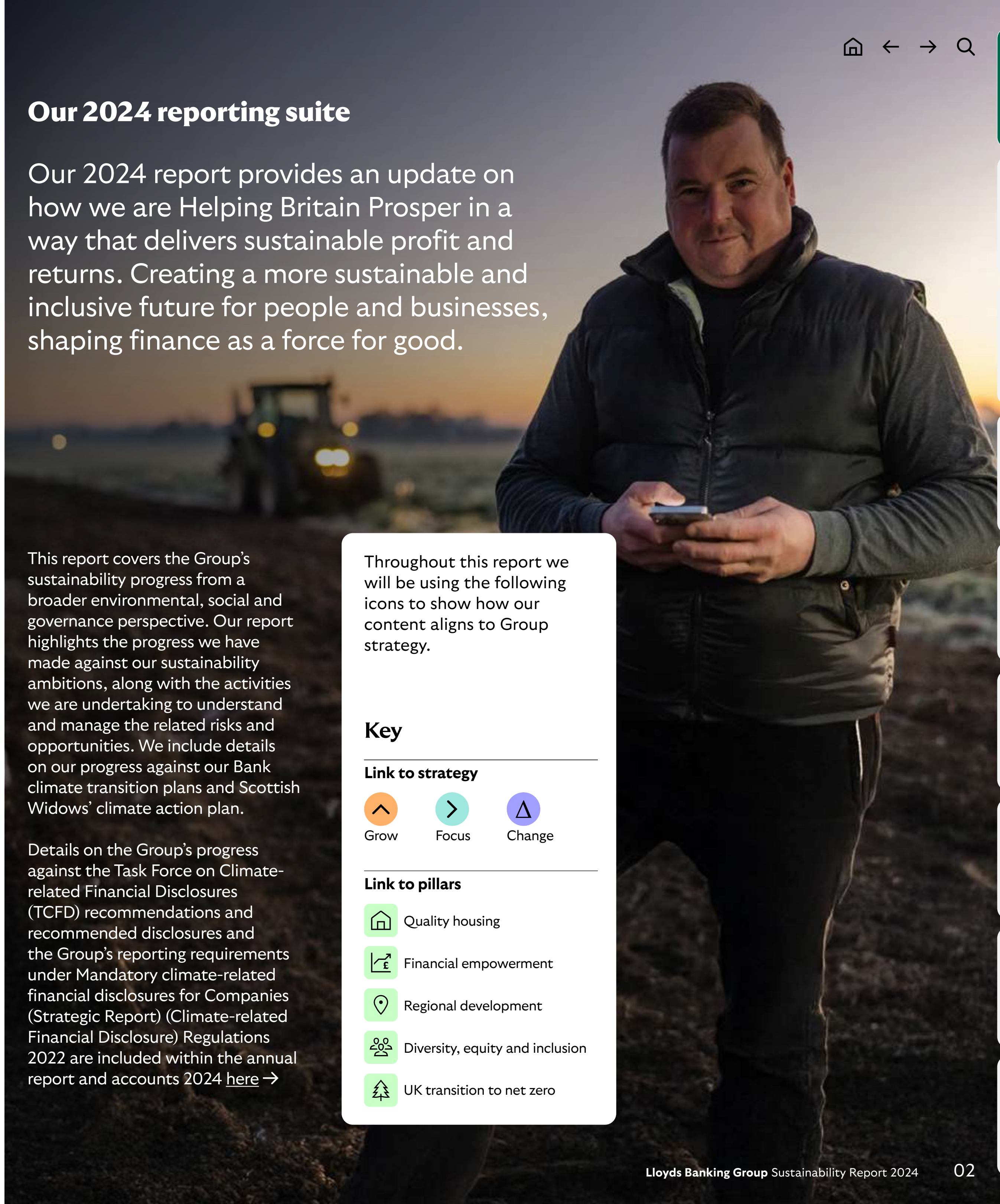
Welcome

As the UK's largest financial services provider with 28 million customers, we have an important role to play in creating a more sustainable and inclusive future for people and businesses, by shaping finance as a force for good.

Our purpose is Helping Britain Prosper

Contents

Inside this report



Our 2024 reporting suite

Our 2024 report provides an update on how we are Helping Britain Prosper in a way that delivers sustainable profit and returns. Creating a more sustainable and inclusive future for people and businesses, shaping finance as a force for good.

This report covers the Group's sustainability progress from a broader environmental, social and governance perspective. Our report highlights the progress we have made against our sustainability ambitions, along with the activities we are undertaking to understand and manage the related risks and opportunities. We include details on our progress against our Bank climate transition plans and Scottish Widows' climate action plan.

Details on the Group's progress against the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and recommended disclosures and the Group's reporting requirements under Mandatory climate-related financial disclosures for Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 are included within the annual report and accounts 2024 here →

Throughout this report we will be using the following icons to show how our content aligns to Group strategy.

Key

Link to strategy

Grow Focus Change

Link to pillars

- Quality housing
- Financial empowerment
- Regional development
- Diversity, equity and inclusion
- UK transition to net zero

Our 2024 reporting suite continued

Our reporting suite

The content in this report is subject to the statements included in: (i) the 'Forward looking statements' section; and (ii) the 'Sustainability metrics basis of reporting' which details how our metrics are calculated.

This can be found in our sustainability downloads →

Sustainability is considered in a number of documents across our reporting suite; further details on where you can find out more on our material topics are included below.

Statement on assurance provider

Deloitte LLP were appointed to provide independent limited assurance over certain data points and 2030 emissions reduction ambitions, targets and pledges within this report, indicated with a ⊛. The assurance engagement was planned and performed in accordance with the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised)) and International Standard on Assurance Engagements 3410 (ISAE 3410). This independent assurance report is separate from Deloitte's audit report on the financial statements and is available in our sustainability downloads →

⊛ Indicator is subject to limited assurance by Deloitte LLP.

Our reporting suite

Key

KU Key Updates D Deeper Understanding

Material topic	Annual report and accounts	Sustainability report	Sustainability metrics datasheet	Basis of reporting	Modern slavery and human trafficking statement	Gender and ethnicity pay gap report	Group website
Artificial intelligence (emerging topic)		D					
Biodiversity and nature (emerging topic)		D					
Climate change	KU	D	KU	D			KU
Diversity, equity & inclusion	KU	D	KU	D		D	KU
Financial inclusion & resilience		D	KU				KU
Governance and conduct	D	D	KU				KU
Health and wellbeing of colleagues	KU	D	KU				KU
Human rights		KU			D		
Regional inequalities		D					KU

Scope of this report

Within this report, reference to the Group covers our three core divisions (listed below) plus Equity Investments.

- **Retail**
- **Insurance, Pensions and Investments**
- **Commercial Banking**

Bank is limited to our Retail and Commercial Banking operations. Scottish Widows relates to our Insurance, Pensions and Investments activities. Housing Growth Partnership and Lloyds Development Capital form part of Equity investments.

The data and examples in this report reflect activities undertaken during the 2024 financial year (1 January to 31 December 2024) and, where relevant to performance, activities and events before and after this period. The report includes information about Lloyds Banking Group and its subsidiaries.

Our sustainability scores

Rating	Scale	2024
MSCI	AAA to CCC, AAA as a best possible score	AA
Sustainalytics	0 to 100, 0 as a best possible score	19.0
ISS ESG Corporate rating	A+ to D-; A+ as a best possible score	C+
S&P Global CSA/DJSI	Ranking of companies, 100 as a best possible score	61
FTSE4Good	0 to 5, 5 as a best possible score	4.7
EcoVadis	0–100, 100 as a best possible score	72
CDP	A to F, A as a best possible score	A-[1] 2023

1 2024 CDP score expected to be reported in Q1 2025.

“We are deeply involved in the UK's housing sector, and we want to help everyone in the UK access good-quality and genuinely affordable housing.”

Group Chief Executive's statement

Charlie Nunn Group Chief Executive

Our 2024 sustainability report showcases how we are delivering on our purpose of Helping Britain Prosper, by unlocking sustainable and inclusive growth for our customers, colleagues and communities. By delivering on our sustainability objectives and focussing on our customers, we're accessing new commercial growth opportunities, providing positive outcomes for stakeholders and building a more resilient and profitable business that delivers higher, sustainable returns.

With over 28 million UK customers, we can help to create a more sustainable and inclusive future for the people and businesses we serve. In 2024, we continued to focus on making the biggest impact we could for the UK in the interest of all our stakeholders. I'm pleased to share our progress.

Improving access to housing

We are deeply involved in the UK's housing sector, and we want to help the UK access good-quality and genuinely affordable housing. As the UK's largest mortgage lender, we helped more customers onto the housing ladder last year by providing £15 billion to first-time buyers, delivering growth in line with our strategy. In addition to making finance available, we continue to support customers to retrofit their homes through our Green Living Reward and renewed Effective Homes partnership, to offer customers quality and affordable insulation. We continue to champion the UK's social housing sector and alongside our charity partner, Crisis, we have called for one million more homes at social rent by the end of the decade. Since 2018, we have supported £19.5 billion of funding to the sector, delivering £2.2 billion in 2024 and growing our Commercial Banking business, while supporting our purpose objectives.

Beyond our focus on new homes, we are working with partners across the industry to improve the UK's existing housing stock. Last year, we announced the National Wealth Fund Partnership – a £500 million fund to help

Key highlights

£43m
provided to support the Community Development Finance Sector

£15bn
funding provided to first-time buyers

>780k
customers improved their credit score last year using our in-app credit score tool

22%
up to 22% of Black, Asian and Minority Ethnic colleagues in executive roles by the end of 2030

£21bn
New financing targets for EPC A and B mortgages, and electric vehicles by the end of 2027

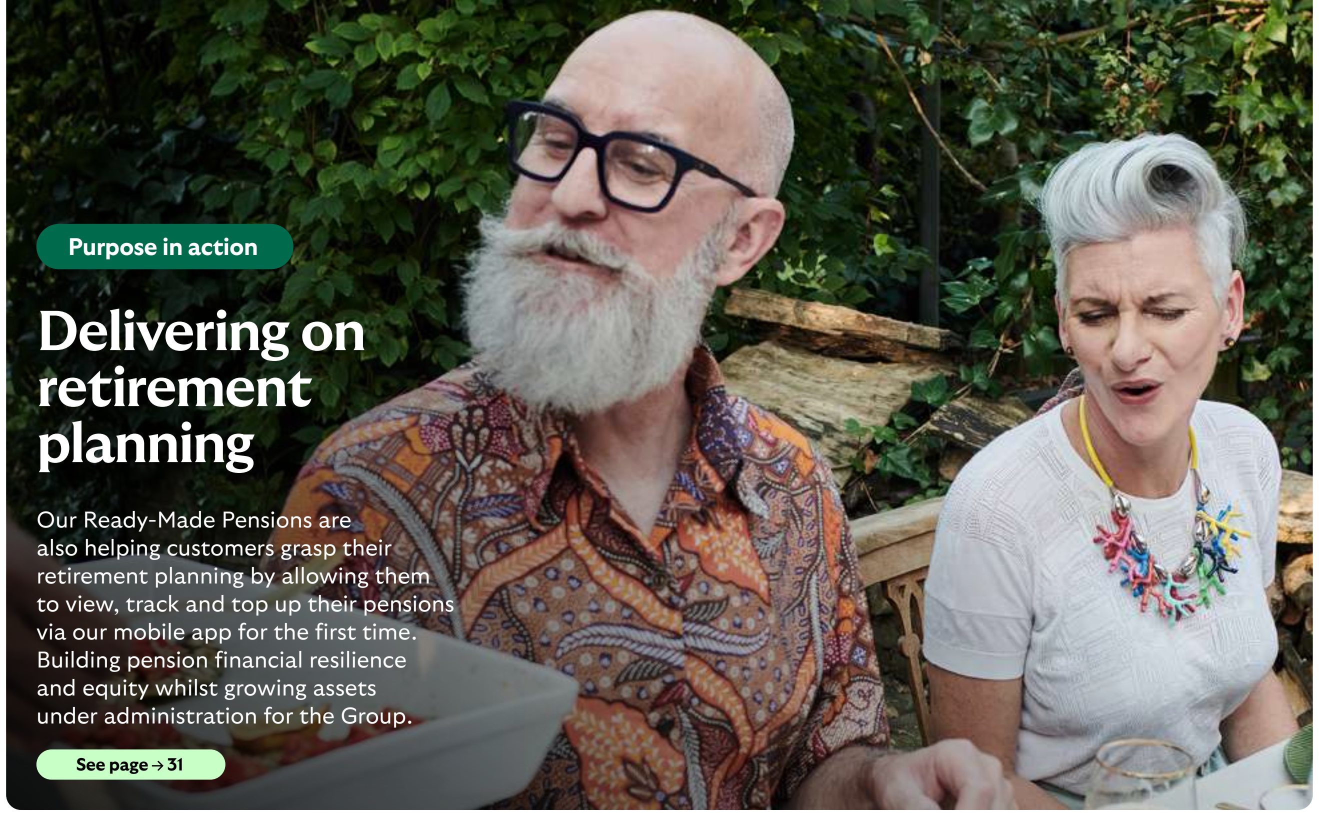
Group Chief Executive's statement
continued

bolster retrofitting of social homes in the UK. This blended finance model will enable housing associations to improve energy efficiency and bring down costs for residents – improving health, work and home lives. Going forward, we will continue our work across the housing sector to increase the provision of safe, sustainable and affordable homes, in line with our strategy to unlock sustainable and inclusive growth.

Empowering our customers

From day-to-day spending to saving for the long term, we want to empower our customers to make confident decisions that add up to a more prosperous future. As the UK's biggest digital bank, we are putting more power in the hands of our customers to help them secure their financial wellbeing. Launched last year, our Ready-Made Investments offer investments picked and managed by our expert teams to help empower our customers to start investing. Our Ready-Made Pensions are also helping customers grasp their retirement planning by allowing them to view, track and top up their pensions via our mobile app for the first time. By offering our customers these new and easy to use digital products, we are growing the Group's assets under administration.

Elsewhere in the business, we launched our new Bill Switcher and Benefit Calculator tools to help customers with their everyday spending. Since launching in October, over 1 million customers have interacted with the Benefit Calculator and over 300,000 have accessed Bill Switcher to check potential savings. Over the last 12 months, 2.4 million customers took advantage of our in-app Credit Score tool, with over 780,000 actively improving their credit health. Tools like these help us better serve our customers and support the growth we delivered in 2024. We also continued our work to empower a diverse range of UK businesses last year, providing over 32,000 hours of targeted support for under-represented entrepreneurs. It's been an important year of progress, and we will continue to use our unparalleled data and insight to empower our customers to improve their financial wellbeing.



Purpose in action

Delivering on retirement planning

Our Ready-Made Pensions are also helping customers grasp their retirement planning by allowing them to view, track and top up their pensions via our mobile app for the first time. Building pension financial resilience and equity whilst growing assets under administration for the Group.

See page → 31

Investing in our regions

Last year, we continued to support regional development and thriving communities. In 2024, we became the first major UK bank to lend to a Community Development Financial Institution (CDFI), contributing £43 million to three CDFIs as part of a £62 million fund. This investment is designed to support 800 businesses and up to 10,500 regional jobs. This transaction was facilitated by our Regional Impact Fund, committing £1 billion to regenerating housing and communities, creating economic opportunities in regions and supporting the transition to net zero across the UK.

Building a diverse business to serve customers and communities

Beyond supporting the development of UK regions, we need to make sure our own business understands and reflects the communities we serve. To that end, we have continued to develop our approach to diversity and now aim for a gender balance of 45 to 55 per cent in all executive roles by the end of 2030.

We have also updated our ethnic diversity targets, aiming for 3.5 to 4 per cent of Black heritage and 19 to 22 per cent of Black, Asian and Minority Ethnic colleagues in executive roles by end of 2030, increasing our ambition for senior colleagues. We believe that a diverse and inclusive workforce also allows us to retain and attract the best talent which is essential for delivering our ongoing strategic transformation.

Building resilience by supporting the net zero transition

We have further embedded our environmental strategy and Climate Action Plan across the Group this year. We continue to support the UK's transition to net zero by advancing initiatives that decarbonise our economy and protect nature. Last year, we deployed significant lending and investment aligned to our core business areas. In 2024, we achieved our financing targets for EPC A and B mortgage lending and financing for electric vehicles and plug-in hybrid vehicles.

We made our first investment in nature protection, becoming a founding business partner of Projects for Nature, supporting three landmark nature recovery projects in England. Through our banking business, we have now provided over £47 billion of sustainable finance since 2022. In Scottish Widows, we achieved our cumulative investment target of £25 billion in climate-aware strategies one year early, with £25.9 billion invested by the end of 2024. Looking ahead, we've set new financing targets of £11 billion for EPC A and B mortgages and £10 billion for electric vehicles by the end of 2027. We start 2025 in a strong position with emissions calculated for 96 per cent of our bank lending and we continue to support our clients with their net zero transitions.

We strengthened our approach to Credible Transition Plans in 2024, expanding the number of clients we assess, with £14 billion of our Commercial and Institutional Banking book now covered by Transition Plan Assessments, a significant increase from the £2.9 billion assessed last year. Supporting the net zero transition is driving growth across our business and will help secure the long-term resilience of our customers, communities and financial sector.

Delivering growth and opportunity in 2025

As we look forward to the rest of 2025, we will continue to unlock sustainable and inclusive growth in line with our strategy and deliver on our purpose of Helping Britain Prosper.

Charlie Nunn

Charlie Nunn
Group Chief Executive

In this section

Our Group strategy

We are Helping Britain Prosper by creating a more sustainable and inclusive future – shaping finance as a force for good.

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

The Group is committed to identifying profitable solutions to building a more inclusive and sustainable UK society.

We believe that focusing on our purpose and doing right by our customers, colleagues and communities will help us identify new areas of growth, build a more resilient and profitable business and deliver higher, more sustainable returns for shareholders.

See our full reporting suite on the Sustainability page of our website.

Link to strategy

Grow Focus Change

2024 highlights

£15bn
funding provided to first-time buyers in 2024

£25.9bn
of discretionary investments in climate-aware strategies by end of 2024

£2.2bn
of new funding supported to social housing sector in 2024

£21bn
of new sustainable financing targets by 2027 launched

Our business model

Our business model focuses on supporting customers whilst delivering sustainable growth and returns

Our purpose

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

Our vision

To be the UK customer-focused digital leader and integrated financial services provider, capitalising on new opportunities, at scale.

Our values

People-first
We listen and care for people as individuals.

Bold
We innovate and do things differently to better serve our customers and grow with purpose.

Inclusive
We learn about and embrace our differences, and seek out diverse perspectives.

Sustainable
We take responsibility for the impact of our actions on nature and Britain's transition to net zero.

Trust
We give each other the space and support to take things on and see them through.

What we do

We have three core divisions that have been structured to serve our customers' needs effectively

Retail

Consumer lending
- Mortgages
- Credit cards
- Personal loans
- Motor finance

Consumer relationships
- Current accounts
- Savings accounts
- Mass affluent proposition

Insurance, Pensions and Investments

Insurance
- Home, motor, pet
- Protection

Pensions and retirement
- Workplace pensions
- Direct to customer pensions
- Retirement

Investments
- Ready-Made investments
- Sharedealing

Commercial Banking

Business and commercial banking
- Business loans
- Transactional banking
- Working capital
- Merchant services

Corporate and institutional banking
- Lending and debt capital markets
- Cash liquidity
- Risk management

Our competitive advantages

Leading UK customer franchise with deep customer insight
28 million customers with extensive reach across the UK. Customer data and analysis ensures we can meet the needs of these customers more effectively.

All-channel distribution focus with digital leadership and trusted brands
Operating through a range of brands and distribution channels, including the UK's largest digital bank.

Unique customer proposition
Serving all our customers' banking, investment and insurance needs through a comprehensive product range.

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

Focused and capital generative business model
Allowing significant investment while generating an attractive capital return for shareholders.

Innovation through modern technology
Continued investment in our technology platform, apps and change function enables us to innovate to anticipate and meet customers' needs.

Financial strength and robust risk management
Strong capital position. Continue to take a robust approach to risk, as reflected through the quality of our portfolio and underwriting criteria.

Dedicated colleagues with strong values
Highly engaged, skilled, customer-focused, diverse workforce with significant expertise and experience.

Our trusted brands

LLOYDS · HALIFAX · BANK OF SCOTLAND · SCOTTISH WIDOWS · LLOYDS LIVING · mbna · Schroders personal wealth · blackhorse · LEX AUTOLEASE · IWeb · Tusker. · HGP · BIRMINGHAM MIDSHIRES · LDC · AMC · embark group · cavendish online

Our business model continued

How we do it

We are Helping Britain Prosper in a way that delivers sustainable profit and returns.

We do this by continually innovating the products and services we offer, developing and investing in new solutions, and using our expertise and influence to create positive change.

We serve our customers' needs effectively with:

Innovation, development, influence

Driving innovation through effective use of customer feedback, technology and data ensures we remain relevant to the customer whilst enhancing industry standards. Our commitment to digital transformation is critical for future growth and sustainability.

Products, services and solutions

Offering a comprehensive range of financial products and services, increasingly through digital channels. We tailor these offerings to meet individual and business needs, ensuring customers have access to the right financial solutions.

Successful business performance

Delivering sustainable profit and growth provides financial strength whilst ensuring we can invest for the future (both in the business and customer propositions) whilst returning capital to our owners.

Funding, investment and expertise

Ongoing investment in the business ensures we can meet the evolving needs of our customers in a commercial way. Our significant funding helps people and businesses invest and grow whilst our expertise and tailored solutions help clients navigate financial challenges, fostering success and sustainability.

Our impact

Sustainable and inclusive growth

Customers

We provide financial services to over half of the UK adult population and more than one million businesses.

By meeting our customers' needs we're unlocking growth and transforming the Group.

>£15bn of funding for first time buyers in 2024

>£10bn of sustainable finance provided for Commercial Banking customers in 2024

Colleagues

We are committed to building an inclusive and sustainable organisation that is truly representative of our customers in modern-day Britain.

We recognise that colleagues who can be their authentic selves at work are central to our success.

40.4% of our senior roles were held by women in 2024

12.6% of our senior roles held by Black, Asian or Minority Ethnic colleagues in 2024

Communities

Our success is intrinsically linked with the success of all regions across the whole of the UK.

When local people, local businesses, and their communities prosper, so do we.

>£2bn new funding supported in the social housing sector in 2024

>£35m donated to our Charitable Foundations in 2024

We're transforming our business to shape finance as a force for good and deliver for Britain for generations to come.

Charlie Nunn Group Chief Executive

Sustainable profit and returns

Shareholders

We successfully completed the first phase of our ambitious and purpose-driven strategy, exceeding our revenue target and transforming our capabilities as we returned the business to growth.

The Group's robust financial performance has delivered strong capital generation, enabling an increased dividend and £1.7 billion buyback.

3.17p total ordinary dividend per share

£3.6bn returned to shareholders for 2024

Our purpose pillars

Creating a sustainable and inclusive future is core to our business growth and purpose of Helping Britain Prosper. Guided by our Group strategy, we are concentrating on areas where we can have the biggest impact, delivering our purpose while creating value for all our stakeholders.

We have identified purpose pillars that underpin how we are Helping Britain Prosper and support the delivery of our Group's strategy. These pillars represent areas where we believe we can deliver significant societal impact at scale for the UK, leveraging our core capabilities as an integrated financial services provider. They are built on the foundation of ongoing business activity and to embed sustainability in all that we do while acting in a trusted and responsible manner through risk management, conduct and governance.

By delivering on our objectives across the pillars, we can create further commercial growth opportunities as well as positive outcomes for our stakeholders and thus build a more resilient and profitable business to deliver higher, more sustainable returns for our shareholders.

Our purpose pillars enable us to consider and embed activities to support a just transition for the UK. A just transition means 'greening the economy in a way that is fair and inclusive to everyone concerned, creating decent work opportunities and leaving no one behind'[1]. We continue working to identify ways we can support the transition to net zero whilst retaining our focus on key social objectives such as skills, affordability, education and regeneration across sectors, regions and the range of our customers.

1 Climate change and financing a just transition – ILO →

Key

Link to strategy

Grow · Focus · Change

Helping Britain Prosper

By creating a more sustainable and inclusive future for people and businesses – shaping finance as a force of good. Guided by our Group strategy, we are concentrating on areas where we can have impact at scale, delivering our purpose and create value for all our stakeholders.

Grow
Drive revenue growth and diversification

Focus
Strengthen cost and capital efficiency

Change
Maximise the potential of people, technology and data

Our purpose pillars

Help every household in the UK have access to quality and affordable housing, notwithstanding income and tenure

Empower customers and businesses to a more prosperous financial future

Supporting regional development and communities

Be the leading UK business for diversity, equity and inclusion supporting our customers, colleagues and communities

Support the UK transition to net zero by advancing initiatives that address climate change and protect nature

Our purpose pillar objectives

Embedding sustainability in all that we do while acting in a trusted and responsible manner

Help every household in the UK have access to quality and affordable housing:
- Broaden access to home ownership
- Increase the supply of social and affordable housing
- Improve the quality of the private rented sector
- Support UK housebuilders to deliver quality and sustainable housing

See page → 14

Empower customers and businesses to a more prosperous financial future:
- Empower and support our customers and clients to build financial resilience and long-term security
- Support customers and businesses when they need it most
- Empower financial and digital education and access to skills
- Break down barriers to access and inclusion, empowering people and businesses of all backgrounds to thrive

See page → 24

Supporting regional development and communities:
- Be a partner in the regeneration of the UK's regions and nations
- Build and regenerate housing to create thriving communities
- Broaden economic opportunity by enabling high-quality jobs and inclusive growth
- Help communities to develop and adapt to immediate and future needs through community investment and engagement

See page → 41

Be the leading UK business for diversity, equity and inclusion:
- Create a more diverse, equitable and inclusive organisation that is representative of modern-day Britain
- Remove barriers and provide opportunities for our colleagues to thrive regardless of their background
- Support the health and wellbeing of our colleagues
- Provide the appropriate technology, tools and skills for our colleagues to thrive

See page → 49

Support the UK transition to net zero:
- Promote sustainable finance and investment
- Take a systems-led approach to considering environmental issues:
  - Energy transition
  - Greening the built environment
  - Low carbon transport
  - Sustainable farming and food
- Manage the footprint of our own operations and supply chain

See page → 63

Link to our strategy

Pillar	Link to strategy
Quality and affordable housing	Grow
Prosperous financial future	Grow, Focus, Change
Regional development and communities	Grow
Diversity, equity and inclusion	Change
Net zero and nature	Grow, Focus

Highlights

In 2024 we have remained committed to building a sustainable and inclusive future whilst driving business growth, concentrating our efforts on where we are best placed to act.

Our progress and performance delivered in 2024 will enable us to continue to drive further progress and growth in 2025, ensuring that our purpose is at the heart of everything we do.

Financial empowerment

>780k

customers improved their credit score last year using our in-app credit score tool

3.9m

savings accounts opened in 2024 and we have helped customers save an additional £8.1 billion tax-free

More than doubled the number of customers opening a Ready-Made Investment

Financial empowerment

1.75m

annual visitors to our Money Worries and Money Management pages

>535k

customers were supported when facing financial difficulty, offering tailored solutions to help them on the path to financial resilience

Supporting UK transition to net zero

162

key suppliers assessed against our Emerald Standard representing more than 80% of supply chain emissions and spend

36.2%

reduction in our energy consumption from our own operations from our 2018/2020 baseline

Access to quality and affordable housing

£2.2bn

of new funding supported to the social housing sector of which £1.2 billion was sustainable or sustainability linked in 2024

£15.1bn

funding provided to first-time buyers

£200m

of financing commitment to small local housing organisations who provide housing to people who need it most

Supporting UK transition to net zero

£17.5bn

of sustainable finance[1] supported in 2024

Achieved 2025 Scottish Widows 'Climate-Aware'[2] investments target of £25bn of discretionary investment in climate-aware strategies

1 As defined in the sustainable finance framework here →
2 This refers to funds that have a focus on investing in companies that are either adapting their businesses to reduce carbon emissions or developing solutions to address climate change. See the sustainability metrics basis of reporting 2024 here →

Financial empowerment

Launched our Bill Switcher and Benefit Calculator tools, enhancing our digital offering whilst growing a resilient customer base

>32,000 hours of targeted support for Black, women and disabled entrepreneurs

Diversity, equity and inclusion

Developed our new diversity, equity and inclusion ambitions to 2030 for executive roles

Launched Lloyds Banking Group's Blueprint for disability and neuroinclusion

Regional development and communities

£35.2m

donated to our charitable foundations

£43m

provided to support the Community Development Finance sector. Supporting small businesses and growing sustainable returns for the Group

Key

Link to strategy

Grow Focus Change

Value chain and materiality

At the heart of our purpose is a desire to create value for all our stakeholders by understanding what matters to them. Engaging with and listening to our stakeholders is intrinsic to our business acting in a trusted and responsible manner.

Our role as a UK-based financial institution is to facilitate the flow of funds between participants in the UK economy, act as custodians of financial assets and protect value for our customers, all while considering long-term trends and their impact on what we do and the value we create for the society and communities we operate in. As such, the way we manage sustainability issues matters and our performance is integral in how we shape finance as a force for good.

In 2024, we continued to explore and evolve our approach to double materiality, leveraging existing materiality processes and tools with the aim of embedding a double materiality[1] assessment. The Group continues to consider the regulatory landscape and is preparing for readiness to report in alignment with the UK government adoption of the International Sustainability Standards Board (ISSB) and the implementation of the EU's Corporate Sustainability Reporting Directive (CSRD) reporting for selected EU entities from 2025, with the remainder of the Group falling into scope for CSRD reporting from 2028.

Further details on our Group Value chain can be found within our annual report and accounts here →

The Group has continued to engage with our stakeholders to determine the sustainability topics which are important to them.

In 2024 we refreshed our material topics list through a review of both our external and internal environments, which included our value chain, markets in which we operate, products, services and activities, as well as through horizon scanning, reviews of reporting frameworks and stakeholder engagement. Our internal environment includes colleagues, processes and policies, culture and management. We have used the outputs from this exercise to refresh our materiality assessment.

We prioritise our material topics based on:

1. The strategic importance of the issue to the Group
2. The importance of the issue to our stakeholders
3. The social, economic and environmental impact of each topic in relation to the core activities, products and services provided by the Group

When conducting our materiality review and impact assessment of our operations, products and services in line with the requirements of the United Nations Environment Programme for Financial Institutions Principles for Responsible Banking (UNEP FI PRB), we have considered, among other frameworks, the UN Sustainability Development Goals (SDGs) which provide a common framework for us to show how we use our operating model, scale and resources to respond to some of the UK's biggest societal challenges.

1 As defined within the Corporate Sustainability Reporting Directive.

Material topics

Topic	Description	Value chain impact	Read more in our sustainability report	UN SDG
Artificial Intelligence	The introduction of Artificial Intelligence (AI) into the banking ecosystem carries with it both opportunities and challenges. While AI can process data at unprecedented speeds and scale, it can also unintentionally perpetuate biases.	Customers and clients, Regulators and government, Communities, Colleagues and Suppliers	See **page 144**	8, 9, 16
Biodiversity and nature	We recognise the important role that financial services in particular can play in helping to preserve natural ecosystems, minimise nature-related risks, and channel capital towards protection and restoration of nature.	Customers and clients, Regulators and government, Shareholders, Communities, Colleagues and Suppliers	See **pages 64 and 67**	11, 13, 15
Climate change	We have an important role in managing the impact of our activities, products and services on climate change, and the risks and opportunities to the growth of our business as a result of climate change.	Customers and clients, Regulators and government, Shareholders, Communities Colleagues and Suppliers	See **pages 63 to 124**	7, 11, 13
Diversity, equity and inclusion	We want to create a fully inclusive organisation, that is representative of modern-day Britain, where differences are embraced and everyone can reach their potential, and we want to use our experiences, to build more inclusive products and services, to help communities to become more inclusive.	Customers and clients, Regulators and government, Shareholders, Communities Colleagues and Suppliers	See **pages 49 to 54**	5, 8, 10, 16
Financial inclusion and resilience	We are focused on ensuring that all our customers, regardless of their personal circumstances, can pursue their financial objectives and ambitions. Through our inclusive products, services and education tools, people, communities and businesses can rely on us for their financial needs, and feel in control and confident about their future.	Customers and clients, Regulators and government, Communities and Colleagues	See **pages 24 to 40**	4, 8, 10
Governance and conduct	We are continuously working to strengthen our management of risk, culture and governance, as well as improving our processes to achieve good customer outcomes in a responsible way.	Customers and clients, Regulators and government, Shareholders, Communities, Colleagues and Suppliers	See **pages 139 to 149**	16, 17
Health and wellbeing of colleagues	The success of the Group is dependent on our people and a safe working environment is imperative to ensure no harm comes to our colleagues. To support the physical health and wellbeing of our colleagues we offer them a range of programmes and support services.	Customers and clients, Regulators and government, Shareholders, Communities and Colleagues	See **pages 58 to 60**	3, 4, 5
Modern slavery and human rights	Through our lending and investment processes, we aim to respect and positively impact human rights and mitigate modern slavery in our value chain through our role as a financial services provider, lender, purchaser of goods and services, employer and supporter of our communities.	Customers and clients, Regulators and government, Shareholders, Communities, Colleagues and Suppliers	See **pages 150 to 151**	8, 10, 16
Regional inequalities	Regional inequalities are leading to economic and social consequences across many communities. Sitting at the heart of communities, we are uniquely placed to leverage our scale to help address these issues. We do this by supporting the needs of these regions.	Customers and clients, Regulators and government, Shareholders, Communities and Colleagues	See **pages 41 to 48**	4, 8, 9, 10, 11, 17

Industry partnerships

Our ongoing participation in global and regional commitments and partnerships, collaborating with peers on industry initiatives, supports the delivery of our purpose objectives and assists us to identify growth opportunities while ensuring we are resilient and delivering good outcomes for stakeholders.

Group membership

Key memberships which supported our approach to sustainability:

Since 2016, Lloyds Banking Group has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, environment and anti-corruption.

World Business Council for Sustainable Development (WBCSD)

The WBCSD is a global organisation of over 200 businesses working to achieve the UN Sustainable Development Goals through the transformation of economic systems. The Group joined the Council in summer 2023 and as a full member has been participating in several projects aligned to our systems thinking, including the Agriculture and Food Pathway and Nature Action in order to support our sustainability ambitions.

United Nations Environment Programme for Financial Institutions – Principles for Responsible Banking

The Group became a member of the UNEP FI PRB in 2019 to support the banking industry accelerate its contribution to achieving society's goals as expressed in the UN Sustainable Development Goals and the Paris Agreement. During 2024, we have participated in the review of the principles framework.

Equator Principles

Lloyds Banking Group is a signatory to the Equator Principles, which is a risk management framework for determining, assessing and managing environmental and social risk in project finance transactions, such as large-scale energy, industrial or infrastructure projects. We continue to support the association by participating in ongoing working groups considering the scope and nature of the principles.

For details on environmental sustainability specific partnerships see **pages 78, 119 to 120 and 124**.

Our frameworks

We have a number of frameworks in place across the Bank and Scottish Widows that support the delivery of our strategy. These frameworks provide the detail on how we consider sustainability in our banking products and services, investments and stewardship activities.

Sustainable Financing Framework

The Sustainable Financing Framework, launched in 2023, has been designed to set out our methodology for classifying whether certain financial products and services offered by Lloyds Banking Group may be described as sustainable for the purpose of tracking and disclosing the Group's progress against its sustainable financing targets.

The Framework is used as the basis to support the reporting and assurance of the Group's progress against its sustainable financing targets and will be used when developing sustainable finance products. It also promotes new environmental and social financing opportunities. The structured and consistent framework enhances the Group's risk management and reporting, which can encourage innovation in financing and the development of new financial products and services that align with the Group's sustainability objectives and ambitions.

The framework covers the Group's Consumer lending, Business and Commercial Banking and Corporate and Institutional Banking eligible products. It sits alongside the Group's Sustainable Bond Framework and was updated during 2024 to incorporate the Group's Housebuilding Sustainability Finance Framework.

For further information refer to the Sustainable Financing Framework here →

Sustainable Bond Framework

The Group's Sustainable Bond Framework facilitates the issuance of use of proceeds green and social bonds of any seniority within the capital structure by Lloyds Banking Group or any of its subsidiaries. It covers five categories of lending: green buildings, renewable energy, energy efficiency, clean transportation and affordable housing; setting out the methodology for classifying whether products may be described as sustainable, supporting the funding of eligible assets and the Group's sustainability strategy. The updated framework was published in April 2024. The Group has issued two green bonds under the framework to date.

For further information refer to the Sustainable Bond Framework here →

External Sector Statements

As a Group, managing risk effectively is fundamental to our strategy and future success. As discussed further in our Risk Management section (**page 127**), our ESG risk appetite related to our direct lending activity is outlined in our External Sector Statements available in our sustainability downloads stating our requirements and expectations for lending to high-risk sectors.

External Sector Statements here →

Our Group strategy continued
Our frameworks continued

Responsible Investment Framework

At Scottish Widows, responsible investment (RI) is fitted as standard to help us deliver good outcomes for our customers.

We look after the retirement savings of millions of hard-working people who expect us to exercise our judgement on the most appropriate way of investing over the long term. Our approach seeks to develop resilient investment portfolios which offer both downside protection and upside potential, while shaping a better world to retire into.

It is underpinned by the 1987 United Nations definition of sustainability: 'Meeting the needs of the present, without compromising the ability of future generations to meet their own needs.' This is fully aligned with our focus on what matters to our customers today and tomorrow.

To bring to life how we do this, our Responsible Investment Framework sets out the principles which guide our approach, from asset allocation to manager selection, fund research and engagement activity. We are signatories to the UN's Principles for Responsible Investment → which have also steered the evolution of our framework.

Our responsible investment strategy is underpinned by our stewardship policy, including ensuring alignment with the FRC's Stewardship Code and our exclusions policy and is approved by the Board of Scottish Widows.

Our stewardship policy applies to all Scottish Widows investments, other than direct loans in our shareholder funds, where Lloyds Banking Group External Sector Statements are applied. These loans represent a small proportion of our investments.

We believe stewardship is integral to our business and investment philosophy. As a large UK asset owner, we want to ensure we play our part, not only in the responsible oversight of our own assets, but in driving industry-wide transition for better long-term outcomes for our customers and clients, benefitting the UK and global economy as a whole.

We target our stewardship initiatives across three core pillars:

- Monitoring and oversight of our appointed investment managers
- Direct and collective engagement with material investee companies
- Contributing to industry-wide initiatives like those related to policy advocacy

We aim to underpin this activity through dialogue and engagement with our customers and members.

For further information and updated reporting – please visit Scottish Widows Responsible Investment here →

Our Responsible Investment (RI) Framework

Good customer outcomes: The customer is at the heart of our Responsible Investment Framework. This reflects the centrality of customers to the Group's purpose of Helping Britain Prosper, as well as our statutory and regulatory obligations.

01
We seek to integrate RI across public and private asset classes, applying our exclusions and stewardship policy as foundations. We deliver this through our asset managers and increase our impact through private markets.

02
We are active owners and engage with corporates to set expectations and support their transition. We use our shareholder rights and vote to influence company direction, escalating where necessary.

03
Our approach is driven by research into the risks and opportunities of sustainability themes and supported by data analysis. This provides rigour and strengthens the decisions we make to deliver better outcomes for customers.

04
We aim to offer an industry-leading fund range to our wide range of customers and offer choice to meet different customer objectives. We seek to do this by providing fund options that align with their values while growing their savings for the future.

05
We focus on shaping real world outcomes, driving best practice and addressing system-wide issues, strengthening our influence through industry collaboration.

06
Our net zero carbon emissions 2050 ambition is focused on a just, low carbon transition that is inclusive and connects climate, nature and social considerations.

In this section

Access to quality and affordable housing

Help every household in the UK have access to quality and affordable housing

Access to quality housing is a fundamental human need, with affordable and stable homes giving people a foundation on which they can thrive – whether they rent or own.

The Group is one of the largest financiers and supporters of the UK housing sector and we are committed to expanding the availability and affordability of safe, quality and sustainable housing.

We are uniquely placed, through our Group strategy, to enact change and create more sustainable and inclusive growth in the UK through access to better housing.

Read more on how we are supporting the UK housing market on our website.

Link to strategy

Grow

2024 highlights

£2.2bn
new funding supported to the social housing sector

£15.1bn
of funding to first-time buyers in 2024

£200m
commitment to small local housing associations

£350m
invested in new homes by Lloyds Living

Access to quality and affordable housing

Supporting the UK housing market

Access to housing is one of the core conditions in the creation of a sustainable and inclusive society – providing financial and household security whilst supporting healthy lives, strong communities and economic productivity.

Through our reach, expertise and the banking and insurance products and services we provide, we touch every part of the UK housing ecosystem – from housebuilding through to housing associations, private landlords to renters and homeowners. Our approach is core to our Group strategy and supports the delivery of inclusive and sustainability growth opportunities in both our Retail and Commercial Banking businesses.

We are uniquely placed to drive change and as access to secure and quality housing is becoming increasingly challenging for a large number of people, we want to explore the opportunities to increase access to the benefits of home ownership. This includes not only through mortgages but also through shared ownership alongside supporting a quality rental and social housing sector that encourages inclusive communities, and increasing the availability of specialist housing.

Industry award-winning

Our efforts in the sector were recognised through the Property Week RESI Award for Large Financier of the Year and Real Estate Capital's award for Sustainable Finance Provider of the Year: Europe.

Broadening access to home ownership

Supporting our mortgage customers

As the UK's largest mortgage lender, we are supporting more and more people to buy their first home. We have provided over £15.1 billion of funding to first-time buyers in 2024.

We have made available £2 billion of lending to first-time buyers borrowing more than 4.5 times their income and our 'First-time Buyer Boost' proposition allows eligible customers with a deposit of at least 10 per cent to borrow up to 5.5 times their income. This has 'boosted' the amount they can borrow to buy their first home by up to 22 per cent.

Through our family of brands, we provide buyer events to support customers on their home buying journey. We also enable customers to set a deposit savings goal and track their progress on this towards their home buying aspiration. Our customers have also utilised the 'Your Credit Score' tool to help understand and take control of their credit health. Please refer to **page 26** for more information on Your Credit Score.

Product support for customers with smaller deposits include intergenerational options such as our 'Lend a Hand' mortgage from Lloyds Bank. This allows a family member to put down 10 per cent of the purchase price of a home into a fixed term savings account, in place of a deposit. The Group is also a major participating lender in the Government's Mortgage Guarantee Scheme which supports the provision of mortgages to customers with a deposit of 5 per cent to 10 per cent. We will remain committed to supporting customers with lower deposits realise their home ownership aspirations.

Making the home ownership journey easier

In 2024, the Group invested £3 million in Coadjute, an innovative proptech designed to connect all parties involved in the home ownership journey. Coadjute's platform is being designed to simplify the house buying process for all involved parties by connecting existing property software systems across the house buying journey. It will enable related parties to share communications and documents quickly and securely, increasing transparency and speed across each step of the property buying journey from estate agents to brokers, banks and conveyancers.

Recently, Group research has shown 30 per cent of those looking to step into home ownership for the first time admitted that they do not understand the process of buying a property, with 51 per cent only somewhat understanding it. Over time, Coadjute's solution could make it easier and cheaper to buy a home, helping both first-time buyers get onto the housing ladder and those wanting to move home.

The Group led the investment, alongside industry partners across the housing sector. As the lead investor, the Group will support Coadjute in its ambition to help the housing industry simplify some of its most complex pinch points and speed up the home buying journey.

Supporting the UK housing market is core to our Group strategy.

Access to quality and affordable housing continued

Broadening access to home ownership continued

Shared ownership

Shared ownership offers a potential pathway into home ownership for those initially unable to access full ownership. We are a founding member of the Shared Ownership Council, which aims to grow this market and provide enhanced support for these customers. We have reduced the minimum share a customer needs to purchase a new build home from 25 per cent to 20 per cent.

In 2023, we launched 'Pathways' through Lloyds Living, which provides renters the ability to buy their home through shared ownership. From our initial pilot, 10 per cent of customers have now acquired the first share in their home, with tranches between 25 per cent and 50 per cent. The Pathways scheme is benefitting a range of customers – from first-time buyers and people relocating to split families and downsizers – and we are now expanding the pilot and looking to scale the pipeline for 2025.

Our Pathways scheme is helping more people get a foot on the property ladder, giving customers the opportunity to buy their rented property through shared ownership. This is bringing down the affordability barrier experienced by many in trying to obtain a mortgage for the full value of a property, for example through reduced deposit amounts of 5 per cent and is providing customers with greater security in their homes.

For further information on Lloyds Living please refer to **page 17**.

We have also commenced a pilot with The Housing Network where we are working with local authorities to house families living in temporary accommodation.

Purpose in action

Pathways: Chaudhry and Khaula

SDG 11.1
By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slum.

Chaudhry and Khaula were ready to put down roots and settle into a home that suited their growing family. With two children, they longed for a change in scenery and were drawn to Chesterfield with its welcoming community and closer proximity to family.

The couple explored their housing options and decided that the Lloyds Living Pathways shared ownership scheme was the perfect choice for them. With Chaudhry relying on a modest self-employed income, they wanted a solution that gave them the flexibility they needed and allowed them to invest in their future rather than rent.

"We had lots of questions about shared ownership...Every question was answered, and every concern addressed. The customer service was exceptional in every way," Khaula shared.

With an accessible deposit minimum of just five per cent of the share they were buying, the Pathways shared ownership scheme proved to be the perfect solution for the couple. Shared ownership allows buyers to purchase an initial share of a property, while paying rent on the portion they do not yet own. Over time, they have the option to gradually increase their ownership by purchasing additional shares, ultimately working towards owning their property outright.

"We got the dream home we wanted," Khaula said, referring to the private four-bedroom house tucked away in a quiet corner of the development. "It's the perfect fit for our family."

> **We had lots of questions about shared ownership... Every question was answered, and every concern addressed. The customer service was exceptional in every way."**
>
> **Khaula**

Key

Link to strategy

Grow Focus Change

Supporting the rental market

The Group is working to improve quality in the private rented sector. In 2022, we published research in collaboration with Social Finance exploring how lenders can improve the private rented sector. The report concluded that a National Landlord Register in England will have a significant impact on housing quality and conditions for renters, and emphasised there is a golden opportunity to design the register in such a way so that mortgage providers can use it to inform lending decisions and influence landlord behaviour.

We have continued to build consensus across the industry and with political stakeholders on the opportunity for mortgage providers to access and use the Private Rented Sector Database proposed in the Renters' Rights Bill in England. This will ensure greater accountability for landlords in providing quality rental housing and a 'one stop shop' for relevant guidance on landlord obligations. For tenants it will increase transparency and the information available before they decide to rent a property and throughout their renting journey.

Lloyds Living

Renamed from Citra Living in 2024, the rental and shared ownership provider of Lloyds Banking Group passed its third anniversary. We now operate a growing portfolio of more than 3,500 professionally managed homes, improving access to affordable, high-quality, energy efficient housing across the UK.

Lloyds Living is working with leading housebuilders and developers through strategic partnerships to accelerate the delivery of housing, through homes for private rent. In 2024, we have diversified our development partners, enabling regional development and now work with small and medium enterprise (SME) developers, supporting their growth ambitions. In total, we now have 13 partners, each working across multiple sites.

For further information on how Lloyds Living is supporting renters on the journey to ownership please refer to **page 16**.

Supporting landlords to be sustainable

Our BM Solutions[1] business has teamed up with the Energy Saving Trust to help customers make energy efficiency improvements to their properties. This year we launched our Landlord Retrofit Tool which creates a personalised action plan for improving each rental property that's tailored to a landlord's budget. The tool suggests specific changes for a property, and links through to relevant government grants and energy company schemes to support with the cost of completing the measures.

Our BM business development managers frequently educate brokers on private rented sector regulation and proposed standards relevant to landlords in the different nations of the UK. We also partnered with other professionals across the private rented sector this year to bring retrofit and regulatory expertise directly to landlord audiences.

1 BM Solutions is part of the Group's Birmingham Midshires brand.

The impact of Lloyds Living's investments and socio-economic footprint in 2024:

The socio-economic footprint of Lloyds Living in 2024

78
sites across the UK

2,050
homes completed

£350m
invested in new homes

>800
new homes in the 50% most deprived[2] areas

The impact of our investments in new homes

2,400
FTE construction jobs supported

3,700
Full time equivalent (FTE) roles supported in the wider economy

£95.5m
in social value generated by employment opportunities

£360m
Gross value added (GVA) generated by associated construction activity (direct, indirect and induced)

The impact of our customers*

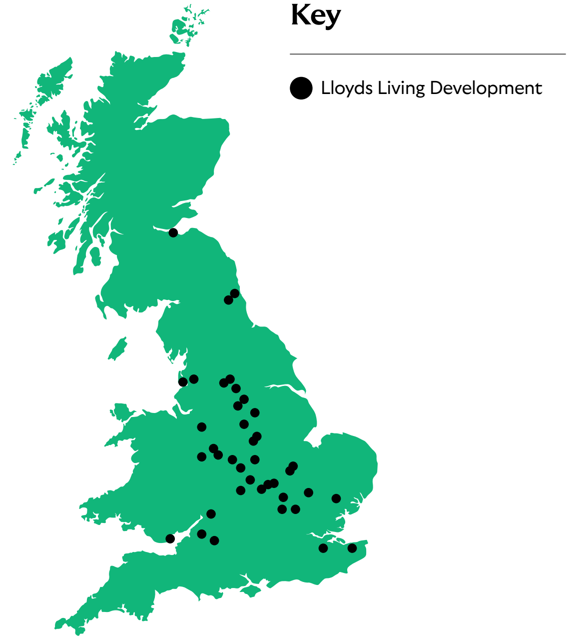
£23.5m
net additional expenditure from Lloyds Living customers in their local area

£7.5m
spent by new customers "making their house a home"

£5.1m
generated for local authorities in Council Tax receipts

650
FTE jobs supported in the wider economy by customers' expenditure

£1.1m
in social value generated by rental affordability savings



The estimates of socio-economic impacts have been prepared by Lichfields based on publicly available information and information supplied by Lloyds Living and third parties. The analysis and interpretation of information and conclusions are based on current conditions and views which may be subject to change. Lichfields has relied upon the accuracy of data and other information supplied without independent verification. The analysis draws upon and applies Lichfields' proprietary methodologies. Estimates of economic impact and the underlying assumptions are illustrative and do not constitute forecasts.
*For the period 1 January to 31 October 2024.

2 The Index of Multiple Deprivation (IMD) is the official measure of relative deprivation and combines information from the seven 'domains' of deprivation: income deprivation; employment deprivation; education, skills and training deprivation; health deprivation and disability; crime; barriers to housing and services; and living environment deprivation. Applies to England only.

Purpose in action

Building new homes with MADE

SDG 11.1
By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

SDG 17.17
Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

Key

Link to strategy

Grow

This year we partnered with Homes England and Barratt Redrow to launch a £150 million joint venture to oversee multiple large-scale projects, in response to the demand for new homes across the country.

This pioneering MADE partnership between the Group, Homes England and Barratt Redrow has created a master developer to accomplish largest-scale residential projects, community regeneration and place-based design.

The first agreement was signed with Tameside Council to deliver its flagship project, Godley Green Garden Village in Greater Manchester. Once established, the partnership will be responsible for overseeing and managing the development of the garden village, as well as delivering an ambitious social value strategy and ensuring robust long-term stewardship is put in place. This type of cross-sector collaboration is needed to address the country's chronic housing shortage, at significant ambition and scale.

"The landmark new partnership announced today will support our commitment to ramp up housing supply and boost economic growth by developing more large-scale, attractive and sustainable places across the country with the homes, jobs and infrastructure that communities need to thrive."

Matthew Pennycook
Housing and Planning Minister, commenting when the partnership was announced.

Supporting small and medium housebuilders

Housing Growth Partnership (HGP) is the Group's equity investor focused on the UK housing sector.

HGP invests patient capital with the purpose of delivering social impact through partnership with selected residential developers and housebuilders to increase the number of homes being delivered and help our partners grow.

In 2024, HGP made a £7.6 million equity investment alongside Urban Centric to enable the conversion of a 60,000 square-foot office building at Knox Court, Cardiff, into a modern co-living space featuring 203 units.

Since inception in 2016, HGP has partnered with 87 developers across 161 schemes, committing to 12,500 homes of which 4,200 homes have been built and sold, with the balance of 8,300 in development.

"This first investment alongside Urban Centric highlights the ever-growing significance of equity funding in creating, regenerating and delivering vibrant communities and homes that meet an unmet demand for housing in key regional UK cities."

Mike Murphy
Director, Housing Growth Partnership

Increasing the supply of social and affordable housing

The Group has been championing social housing for decades. Since 2018, we've supported £19.5 billion of funding to the sector. Social housing continues to be a source of lending growth, with improving returns year on year.

We work with over 320 housing associations, from small local associations to larger organisations with tens of thousands of homes. We work right across the country, from Osprey Housing in the North East of Scotland down to VIVID headquartered in Portsmouth.

£2.2bn
of new funding supported to the social housing sector in 2024

Our experience in the sector is helping these clients meet the UK's housing needs through various funding and expertise mechanisms. Through our pensions and long-term savings brand Scottish Widows, we are able to provide longer-term funding to the sector, as well as helping to support the provision of products such as annuities.

Social housing is an integral part of the UK's housing landscape with millions of people benefitting from stable and genuinely affordable homes. We believe social housing should be considered a key piece of the national infrastructure alongside transport, energy and digital infrastructure – providing the basic foundations of thriving communities and a prosperous economy. Its absence exacerbates insecurity, inequality and poor societal outcomes.

Our funding helps housing associations to invest in the quality of their housing stock, from building new homes to supporting retrofitting and energy efficiency improvements, helping to create warmer homes and lower energy bills.

In 2024, we supported £2.2 billion of new funding to the social housing sector of which £1.2 billion is sustainable[1] (green or social use of proceeds) or sustainability-linked[1] (including key ESG performance indicators). Funding to the social housing sector is included in the Commercial Banking £30 billion sustainable financing target due to its social use of proceeds. Social housing continues to be a source of lending growth, with returns improving year on year.

Refer to **page 66** for more on our sustainable financing targets and progress.

1 For a definition of our sustainable or sustainability-linked finance see our sustainable finance framework →

Social Housing Initiative

In 2023, Charlie Nunn, Group Chief Executive, launched the Social Housing Initiative (SHI) to bring together a range of stakeholders to take steps in addressing the chronic lack of social housing and genuinely affordable homes in the UK.

In 2024, through the SHI's collaborative efforts, members are delivering on a number of pilot initiatives to reduce barriers to good homes, unlocking land and addressing immediate pressures on local authorities to house those in urgent need.

In 2023, we reviewed our social housing lending policy so that, where applicable, associations can accelerate spending on tenant safety, damp and mould, retrofit and increasing the supply of new homes. Reflecting this, since 2023 we have migrated a range of clients who are benefitting from a combined year one increase in financial capacity of c.£800 million, a cumulative increase of c.£4 billion over a five-year period.

Building futures – a new era of investment in social housing

This year we published a new white paper, Building futures – a new era of investment in social housing, which proposes innovative new solutions to the challenges facing the social housing sector.

There is a need for a significant increase in investment in social rent housing in the country, and in the paper we set out our prospectus for action. It also included a package of measures that will help deliver more social homes, including proposals for two new investment mechanisms that could generate up to 200,000 new homes for social rent over 10 years and wider reforms for the social housing sector.

Building futures: A new era of investment in social housing →

Access to quality and affordable housing continued

Increasing the supply of social and affordable housing continued

Commitment to small local housing associations

In July 2024, we announced a new £200 million financing commitment to support local providers who provide housing for those who need it most. Specialist housing providers are small in number but deliver critical services for vulnerable people. Beneficiary groups include people at risk of homelessness and rough sleeping, and people suffering from complex mental health issues and learning disabilities or recovering from addiction.

This financing arrangement is included in the Commercial Banking £30 billion sustainable financing target due to its social use of proceeds.

Converting old sites into new social housing

To increase the supply of new social housing in the UK, the Group has announced intentions for the redevelopment of decommissioned Group data centres and former office sites into new social housing projects. The Group has plans to identify suitable housing partners in the regions who will be responsible for redeveloping the sites to increase the availability of social housing. The construction of the first site in Pudsey, West Yorkshire, formerly an office and data centre, is set to commence in 2026. Subject to planning permission, the first redevelopment in Pudsey will create up to 80 new homes that could be available for social rent and help to increase the supply of good, affordable homes in the UK.

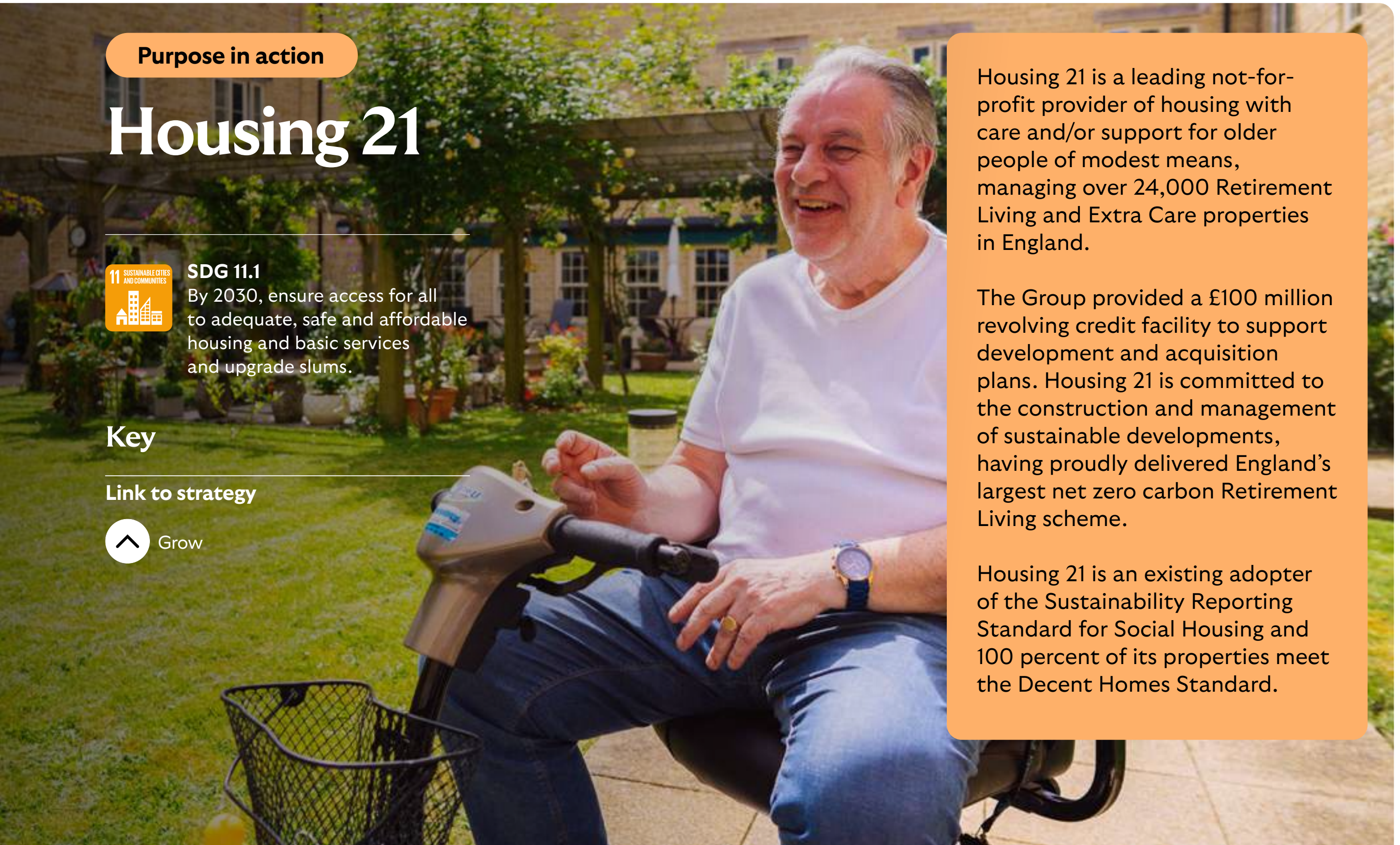
This project will also be guided by our efforts in greening the built environment, please refer to **page 95** for our strategy and progress.

National Wealth Fund Partnership

In 2024, Lloyds Bank and the National Wealth Fund (NWF) signed a £500 million funding commitment to support the retrofit of social housing in the UK. This marks the first investment since Chancellor Rachel Reeves announced that the UK Infrastructure Bank has transformed to become the NWF. Funding is flexible and competitively priced to support housing associations to meet their net zero ambitions. Improvements such as low carbon heating and insulation create warmer homes, lower bills and better life outcomes for residents.

This deal showcases how innovative public and private expertise can come together to deploy private capital to deliver warmer, greener homes for social tenants.

This capital has already been deployed to support housing providers such as New Start, a family-run not-for-profit organisation that provide quality, supported housing and residential care services to vulnerable men, women and children. With our backing, New Start has helped hundreds of people experiencing homelessness across Merseyside.



Purpose in action

Housing 21

SDG 11.1
By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

Key

Link to strategy

Grow

Housing 21 is a leading not-for-profit provider of housing with care and/or support for older people of modest means, managing over 24,000 Retirement Living and Extra Care properties in England.

The Group provided a £100 million revolving credit facility to support development and acquisition plans. Housing 21 is committed to the construction and management of sustainable developments, having proudly delivered England's largest net zero carbon Retirement Living scheme.

Housing 21 is an existing adopter of the Sustainability Reporting Standard for Social Housing and 100 percent of its properties meet the Decent Homes Standard.

"Decarbonising our housing stock is critical for the transition to a low carbon economy, and there is urgent need for good-quality, greener homes which are warmer and more affordable to maintain.

We have a significant role to play as one of the UK's largest retail and commercial banks, and are proud to work in partnership with the National Wealth Fund to accelerate the retrofit of social housing. Through a blended finance solution, we are enabling housing associations to improve energy-efficiency and cost-effectiveness for residents – improving health, work and home lives. We'll continue working across the housing sector to help increase the provision of safe, sustainable homes."

Charlie Nunn
Group Chief Executive

"This is exactly the kind of investment we want to see to grow our economy, just days after the International Investment Summit that secured over £60 billion of investment into the UK. And this is only the start. With £27.8 billion in total, the National Wealth Fund will unlock tens of billions more in private investment, fuelling growth across the UK and making a real difference in people's lives."

Rachel Reeves
Chancellor of the Exchequer

Purpose in action

John's story: How our charity partner is changing lives

SDG 11.3
By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

SDG 17.17
Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

Key

Link to strategy

Change

Our partnership with Crisis, the UK's homelessness charity, and Simon Community in Northern Ireland, works in synergy alongside our call for one million more homes at social rent over the next decade to end homelessness for good.

Since April 2023, thousands of the Group's colleagues have supported this ambition – from participating in fundraising events to volunteering thousands of hours in Crisis shops, Christmas hotels, or as mentors.

"Homelessness is often the confluence of three things happening simultaneously – poor mental health, relationship breakdown, or job loss. Most people can sustain one of these, but two or more at the same time can tip an individual into homelessness. I experienced the latter two in quick succession which led to me sofa surfing and sleeping rough for a couple of nights before I presented myself as homeless to Edinburgh City Council in 2021. Those nights were unbelievably challenging."

John was placed into temporary accommodation whilst he received support from the council and a local homelessness charity, Turning Point.

"The stereotype of a person experiencing homelessness sat on the street doing nothing was the complete opposite to me: I spent all my time running around to appointments and meetings, doing everything I could to reboot my life and rebuild the momentum I had lost when I reached crisis point. It took every ounce of my energy to keep going."

John's time in temporary accommodation was challenging. "I asked to move from the accommodation in which I was staying as the atmosphere became really uncomfortable. The location was remote and I had no money to travel into Edinburgh. I was able to move somewhere more central so I could access my appointments, but this accommodation was considerably worse – there was crime and people died whilst I was living there. I was then moved again with all the stress and upheaval."

John's experience of temporary accommodation significantly impacted his mental health. "I completed a counselling course to develop my skills, and it began to hit me just how wrong my life went. I became incredibly depressed and hopeless." John's temporary accommodation had a curfew which impacted his social support network. "I needed a huge stroke of luck for something to change. And that was when Crisis came in."

"I was walking up Edinburgh's Royal Mile when I saw Crisis' logo which I remembered from being a teenager."

John walked into Crisis and asked to speak to someone to help and was seen that week by Amanda, an Engagement and Assessment Worker.

"Amanda helped me to regain my autonomy by moving me into self-contained temporary accommodation. I had my own space. My family and friends could come and visit me for the first time in two years. That meeting changed my life. Had it not been for Crisis' action, I truly believe I would have never recovered."

Alongside supporting John with his living situation, Crisis matched him with James, a Strengths and Assets Coach, to help him explore his future aspirations. "I was invited to speak at a parliamentary event to share my experience. Everything clicked into place after that; I felt it was my calling to use my lived experience to help others in similar situations."

Crisis' Changing Lives programme awards grants to people with lived experience of homelessness between £250 and £5,000 to progress education or employment, or to help set up their own business, alongside wrap-around support including mentoring, workshops and other development opportunities.

John was encouraged to apply for an initial grant to complete a Housing Rights Awareness course, enabling him to understand the legal and structural landscape of homelessness.

"My confidence and health started to come back, and the trauma started to fade into the background. I realised I could turn everything around.

I had the opportunity to apply for a second Changing Lives grant to obtain a Housing Studies diploma run by the Chartered Institute of Housing and University of Stirling. I'm now learning about the mechanisms of homelessness to pursue my dreams of working in homelessness and housing, and I'm soon to complete a related internship."

> **"When you're facing homelessness, you feel invisible and not part of society. After two years of homelessness, Crisis gave me the recognition that I had worth and reminded me that society cares."**

At Lloyds Banking Group, we are proud to support the Changing Lives programme, with funding, strategic support and mentors. John is one of thousands of grant recipients since Changing Lives was launched in 2022 and can now realise his goal of becoming a housing rights specialist.

Sustainability in housing

Supporting our customers to have warm and energy efficient homes is integral in our efforts to support a transition to a net zero world but also in improving the quality of life of our customers especially those that are most in need or require additional financial support. Greening the built environment by reducing carbon emissions and helping our customers make their homes warmer and cheaper to run will require collective and collaborative action from all stakeholders.

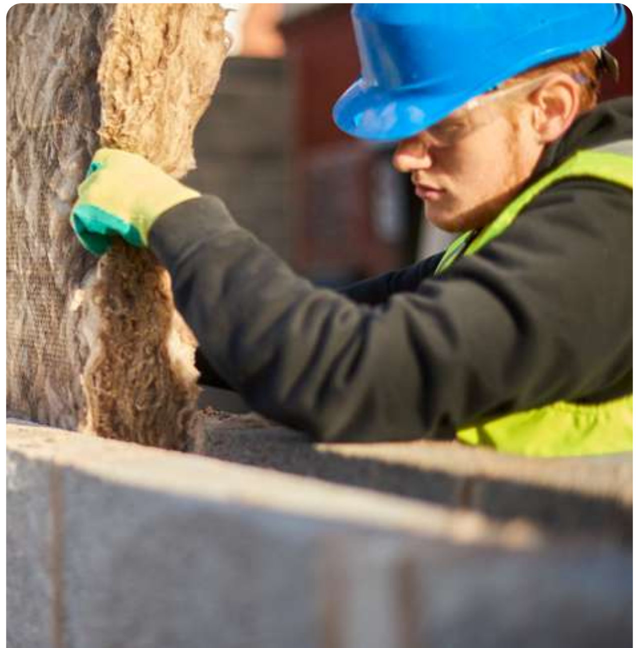
>3,500
customers received cashback for energy efficiency improvements

>2.3bn
square feet of real estate has been assessed using our Green Buildings Tool since 2019

This year we launched our improved Halifax Green Living Reward/Lloyds Eco Home Reward offering up to £2,000 cashback for home buyers, home movers and homeowners making energy-saving improvements to their properties. Customers can fund their home improvements in a way that works best for them, whether that is savings, government grants, additional borrowing, or a combination. Since launch, we have provided over 3,500 customers with a cashback reward.

To help support a move towards sustainable buildings, our Commercial Banking customers have free-of-charge access to our Green Buildings Tool – a digital insights calculator that helps to identify, evaluate and understand the estimated financial and environmental outcomes of potential investments to make properties more energy efficient. Since 2019, 2.3 billion square feet of real estate has been assessed using our Green Buildings Tool.

In 2024, Commercial Banking supported £1.2 billion of new funding which is sustainable[1] or sustainability-linked[1] to accelerate our sustainability ambitions, including investment in making the UK's social housing stock more energy efficient. Since 2021, we have supported £6 billion of new funding in this area.



Sustainability reporting standards for social housing and housebuilders

Lloyds Bank and Scottish Widows continue to adopt the Sustainability Reporting Standards for Social Housing, with colleague representation on the board of Sustainability for Housing. In 2024, with support from Lloyds Bank, Sustainability for Housing is progressing the transition of its data services to Housemark, the leading data and insight company for the UK housing sector providing benchmarking data.

As one of the largest funders of the UK housebuilding sector we know we have an important role to play, both in terms of developing the standards for more sustainable homes and in providing finance to help housebuilders meet these standards. We also merged our housebuilding sustainability finance framework into the sustainable financing framework in 2024.

In 2021 we joined the executive committee of NextGeneration, alongside the UK Green Building Council, Homes England and JLL (the initiative secretariat), to help drive the creation of sustainability standards for new build homes in the UK. The benchmark supports the UK's largest housebuilders in achieving material sustainability credentials. Ensuring smaller housebuilders weren't left behind, two new standards were developed, with our support, NextGeneration Project and Core – supporting small and medium housebuilders begin or accelerate their sustainability journeys by reducing complexity and focusing on the areas that will make the most difference.

We continued our sponsorship of the Future Homes Conference in 2024 to support the housebuilding sector to deliver and comply with the incoming Future Homes Standard. At the conference, the Future Homes Hub launched its suite of sustainability metrics, aligning to the criteria of the NextGeneration Initiative.

Please refer to **page 34** for more on how we support businesses on their growth and sustainability journeys.

1 As defined in the sustainable finance framework →

Purpose in action

Core benchmark assessment: Anwyl Homes

SDG 12.6
Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Key

Link to strategy

Grow

Change

With the support of Lloyds and JLL, Anwyl Homes completed the NextGeneration Core sustainability benchmark assessment, which focused on key sustainability issues and allowed Anwyl to benchmark itself against the market. The assessment clearly identified where Anwyl performed well, providing a clear focus for the future.

"The exercise has been incredibly beneficial, and we can see immediate areas of improvement. It shows Anwyl Homes is doing many of the things expected from a sustainability perspective and given we do not have a sustainability officer, we are really pleased with our first benchmark score. It's been a very worthwhile exercise and will positively change our outlook with regard to how we approach and manage our sustainability now and in the future."
Anwyl Homes

Industry partnerships and supporting skills development

We have renewed our partnership with Regeneration Brainery for another three years to help tackle the skills shortage in the UK property sector – giving young people hands-on experience and mentorship opportunities.

With a severe skills shortage in the sector, the industry is struggling to attract talent with the enthusiasm and know-how to innovate, meaning demand isn't being met. Our renewed partnership with Regeneration Brainery – an award-winning, not-for-profit academy for young people which aims to tackle the skills shortage by boosting diversity in the property and construction industry, and providing young people with hands-on experience, helps to support this need.

Attracting a wide and diverse talent pool is one of the reasons why we partnered with Regeneration Brainery in the first place. Regeneration Brainery has won multiple awards for delivering positive social impact, and has been named as the UK Real Estate Investment and Infrastructure Forum's (UKREiiF) charity partner for a second consecutive year. Since its creation in 2017, it's worked with over 6,000 students – or Brainees – finding hands-on work experience and meaningful networking opportunities with property professionals. Over a third of Brainees have joined the industry or taken on an industry-specific educational opportunity. Over 18,000 volunteering hours have been given by over 650 industry mentors based right across the UK.

In 2024, the not-for-profit has hosted events in five locations in London, Manchester, Liverpool, Birmingham and Stoke-on-Trent. The ambition is to expand into Leeds, Newcastle and Sheffield in 2025 and into all four home nations by 2026. Regeneration Brainery has recently established an advisory board made up of leading industry professionals to provide strategic guidance as the enterprise looks to scale up further.

Michele Steel, CEO of Regeneration Brainery said:
"Regeneration Brainery was founded, is supported by, and is for the property industry. We can't do what we do, giving a leg-up to thousands of students each year into life-changing career opportunities, without the support of our partners. Lloyds Bank has been at the forefront of our activities as a Champion Partner since 2021 – giving hundreds of hours of volunteering time, mentoring individual students in need of support, and providing a critical platform to talk about our work and the value of diversity to its vast network of clients and industry organisations. We can't wait to see how much greater our impact will be working together over the next three years."

Real Estate Balance: advocating for equity, diversity and inclusion

In 2023, we announced a partnership with Real Estate Balance, a campaigning organisation working to advance equity, diversity and inclusion in UK real estate and its associated sectors, with a particular focus on gender, ethnicity and social background. Real Estate Balance works closely with the industry to support its members in making cultural changes and identifying best practices, contributing to the enhanced performance of the industry.

For more information on how the Group is tackling the skills shortage in the UK property sector

Purpose in action

Regeneration Brainery

8 DECENT WORK AND ECONOMIC GROWTH

SDG 8.5
By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

Key

Link to strategy

Δ Change

Abiola joined Regeneration Brainery whilst studying Finance at Salford University. He was on a gap year at the time and was not sure what he wanted to do after university.

His older sister had been part of a Manchester Bootcamp back in 2017 and brought him along for the Manchester Bootcamp in October 2021. Inspired by what he found, Abiola is now probably our most prolific Ambassador, joining us at Brainery Weeks, school career fairs, conferences and networking events all across the UK, including the April 2024 Manchester Brainery Week.

Having tried careers in finance and event management, Abiola decided that property and regeneration was right for him and he has recently secured a role as a Graduate Development Manager at Muse Places – Muse's first ever noncognate graduate employee.

"Regeneration Brainery has given me so many opportunities to connect with the property industry's finest. I now want to inspire, mentor and support the next generation of built environment professionals. I plan to use my lived experience and unique perspective to provide value to Brainees on their journey into the property industry."

Credit:
image taken at UKREiiF 2024 →

In this section

Empowering a prosperous future

Empowering our customers and businesses to a more prosperous future.

The financial health and confidence of the UK population are key in building sustainable prosperity for all.

As an integrated financial services provider in the UK we are committed to leveraging our position and work with partners to support customers, businesses and communities to achieve growth, security and prosperity.

From accessible education, through inclusive tools and guidance, to varied product offerings, we empower people and businesses to make informed choices and pursue their goals, whilst building a more resilient customer base for the Group.

Read more on how we are supporting customers and businesses on our website.

Link to strategy

Grow Focus Change

2024 highlights

3.9m new savings accounts opened in 2024

2.4m new registered users to Your Credit Score in 2024

>1m people empowered to boost their financial and digital skills

>32k hours of targeted support for diverse entrepreneurs

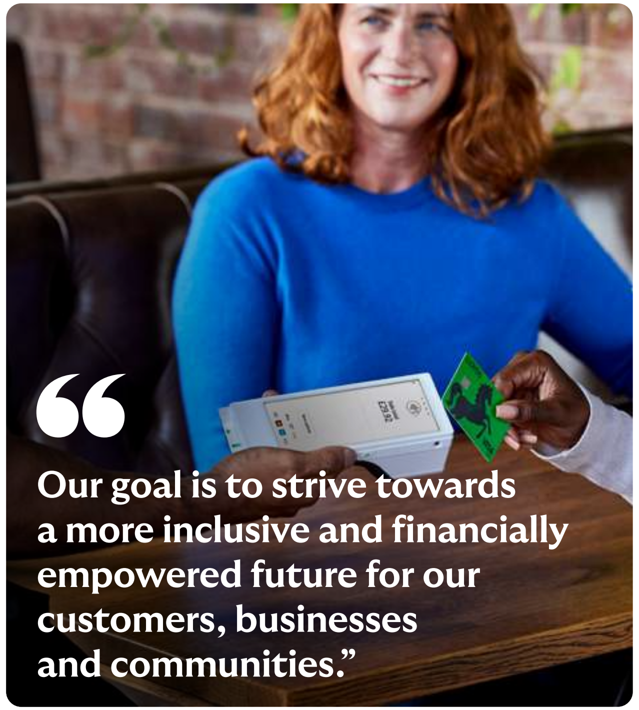
Empowering customers

In this section

We are proactively working to provide support at every stage of our customers' lives by providing the right tools and resources. This will make a meaningful difference in the everyday lives and futures of our customers and their communities. Empowering our customers to have a prosperous future is one way we are Helping Britain Prosper as well as supporting the growth of a resilient customer base.

The Group is committed to supporting the life-long financial resilience and stability of customers, not only in challenging times but in identifying opportunities for growth and security. From everyday expenditure to long-term savings, we want our customers to feel empowered to make confident and well-informed decisions that lead to a more prosperous financial future.

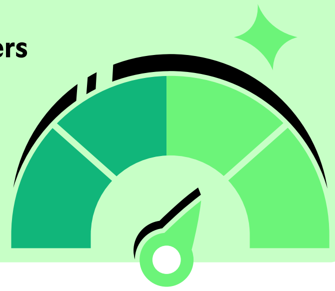
Through our product and service offerings alongside dedicated support mechanisms, we are empowering customers and businesses to use financial services to their fullest potential. We continue to develop tools and resources that increase knowledge and accessibility. Together these all help to improve customer wellbeing.



"Our goal is to strive towards a more inclusive and financially empowered future for our customers, businesses and communities."

3.9m
new savings accounts opened in 2024

2.4m
new registered users to Your Credit Score in 2024



Putting more money in customers' pockets

In 2024, we transformed the way we support our customers. We created new products, services and experiences built entirely around customer needs, to financially empower them.

Supporting our customers to save

We are helping Britain to save with 3.9 million savings accounts opened in 2024 alone, and with our ISA products, customers have saved an additional £8.1 billion tax-free. We were also extremely pleased to launch MBNA Savings to our customers, extending our range of accounts across our brands and giving our customers even more options to find one suitable for their needs.

For those who already bank with us, we take a number of steps to make sure our customers are engaging with their savings. We contacted over four million deposit customers to ensure they are aware of their savings options, including limited withdrawal products offering higher rates than instant access, whilst retaining flexibility in how savings are accessed. We have enhanced the process to open a savings account with us, launching in 2024 a 'one click' process for our most popular savings products.

At the same time, we continue to contact customers on variable rate mortgages each year to tell them how much they could save by transferring to a lower fixed rate.

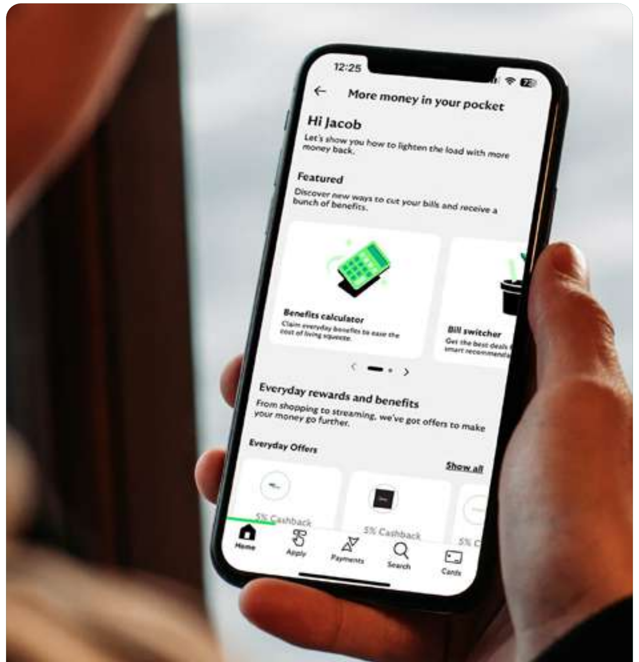
New products and tools

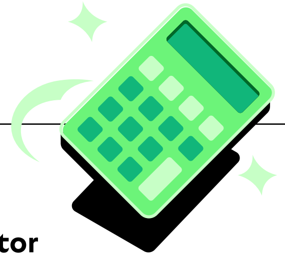
We have focused on designing products and services that solve some of our customers' most underserved needs, like finding missed benefits or switching bills.

We are also utilising various educational tools and platforms to equip our customers and communities with the knowledge to empower them to make decisions that result in the most prosperous outcomes for themselves.

Please refer to **page 38** for further information on our education initiatives.

We have expanded our financial empowerment tools through our mobile banking app with the launch of the Benefits Calculator and Bill Switcher.





New

Benefits Calculator

Data from the Group and Policy in Practice → shows that eight million households across the UK are missing out on £23 billion in benefits each year. Through our new Benefits Calculator customers can find benefits and grants they could be eligible for.

Using our in-depth calculator (powered by our tech partner Inbest), customers can get a more detailed view of the estimated amounts they may be entitled to, along with next steps on how to make a claim. Since the launch of the tool, more than one million customers have engaged with it. This includes single young professionals who have just moved into their first home not taking advantage of Council Tax discounts, growing families missing out on Child Benefit and Universal Credit, and retirees with unclaimed Pension Credit.

Our ambition is to put at least £500 million in customers' pockets, remaining focused on supporting the growth of a resilient customer base.

New

Bill Switcher

Our data shows that Lloyds Bank customers spend 37 per cent of their monthly income on regular bills and that on average customers could save £220 on broadband and £250 on mobile bills every year. Since the launch in September 2024, over 300,000 customers have engaged with the tool.

Launched with the help of our tech partner ApTap, Bill Switcher makes it easier for customers to find deals that could save them money. We're now highlighting our customers' utility bill payments in their app statements to show them where we think they can save by switching with just a simple click.

Purpose in action

Your Credit Score

SDG 8.10
Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Key

Link to strategy

Grow Focus

>780k
customers improved their credit score in 2024

Your Credit Score, a free service provided in partnership with TransUnion, empowers customers with up-to-date insight into their credit information, what's affecting their credit score, and hints and tips to improve it over time. Launched in September 2021, we have recorded more than 11 million registered users, with 2.4 million registering in 2024 alone.

In 2024, we supported more than 780,000 people making improvements using the tool, which can help them achieve their aspirations – like getting car financing or a mortgage to buy their first home.

It also allows customers to spot anything that doesn't look right but might have a negative impact on their score – as in the case of our customer Melissa who was tracking her score and doing all the right things in the run-up to applying for a mortgage. But one day she noticed her score went down due to a new credit card account opened in her name. This was a fraudulent operation which she was able to flag quickly and easily through the app and it was promptly rectified, getting her credit score back on track, ensuring her mortgage application wasn't affected.

Empowering customers through multi-channel support

Customers can access support through multiple channels to seek help with their financial wellbeing or managing their money.

In the moments that matter, we play a key role in supporting customers and communities, particularly those who might be having difficulty in managing their money. By offering tailored solutions and access to essential digital and financial skills, we're empowering individuals to regain control of their financial wellbeing. This support ensures customers have the tools and knowledge they need to navigate challenging financial circumstances and life events, fostering resilience and promoting long-term financial stability.

Throughout 2024, we have helped customers across over 535,000 accounts in financial difficulty by offering tailored solutions that meet their needs and help them on the path to financial resilience.

Through our Lloyds Bank, Halifax and Bank of Scotland branches, customers can book an appointment with a specially trained colleague who can support them with any money worries. We also had more than 3,000 colleagues helping to provide financial assistance to customers in financial difficulty through tailored services and products.

We offer customers in financial difficulty easily accessible support, either over the phone or online, through:

- **Allowing time to seek support:** We can offer credit card, loans and overdraft customers who need time to seek support and guidance a temporary pause on all interest and fees, with no contact regarding payment during that period
- **Repayment plans:** Mortgage, motor, credit card, overdraft and loan customers are able to discuss a range of support options, including allowing more time for repayment or making reduced payments for a period of time
- **Consolidating debts:** Credit card, loans and overdraft customers can consolidate their outstanding debt into a lower interest loan
- **Changing products:** We offer customers the option to secure a new mortgage rate up to four months in advance, which provides more flexibility and choice. If these rates fall during those four months, customers can then switch again to the lower rate. Customers on a variable rate, whether they're up to date on payments or not, can switch to a new fixed rate
- **Mortgage Charter:** We remain committed to the Mortgage Charter measures and have enhanced our customer journeys to enable customers to get the support they need

Key resources to support customers

Our Money Worries and Money Management website pages across our Lloyds, Halifax, Bank of Scotland and MBNA brands are an invaluable resource for the over 1.4 million annual visitors.

1. Money Worries pages provide guidance for customers likely to be in financial difficulty or concerned about keeping up with payments, including the ability to directly access tailored solutions to help get back to financial health.
2. Money Management pages contain resources, tools and tips to help customers stay on track and manage their finances.
3. External signposting to organisations such as StepChange, which provide independent help and debt advice as well as support with income maximisation

Support tool for customers in vulnerable circumstances

Throughout 2024, we have continued with our commitment to supporting both colleagues and customers in vulnerable situations. Our continued expansion of this tool helped us offer appropriate solutions based on the impacts and needs identified, empowering colleagues to have meaningful conversations with customers about their circumstances.

This tool was accessed over 120,000 times in 2024 highlighting the importance of providing colleagues with the knowledge and tools to serve our customers. Where we are unable to help, where appropriate we will look to signpost or refer to external organisations and partners, providing customers with additional support.

>1.4m

annual visitors to our Money Worries and Money Management pages in 2024

Understanding the unique needs of our customers

We recognise our customers have unique needs and circumstances and we are committed to understanding and fulfilling these needs. We have introduced features on our online and mobile banking platforms that allow customers to record their support needs, such as special formats for letters and statements or indicating speech difficulties and use of British Sign Language.

Customers are encouraged to communicate their requirements with us over the phone, in person and online. In 2024, over 2.8 million specific customer support needs were registered across our channels, enabling us to better meet our customer needs.

Recording customers' support needs and sharing them with relevant teams is a practical way to ensure customers don't have to repeat difficult conversations. This not only streamlines the process but also shows empathy and consideration for the customer experience.

Our help and support hubs across customer websites are a rich resource for individuals seeking advice and guidance on various financial situations. The inclusion of information regarding key life events, health issues and money worries, along with signposting to independent organisations and charities, is a valuable service for all customers.

>2.8m

specific customer support needs registered across our channels in 2024

Upskilling and training our colleagues to support our customers

We strive to be more inclusive every day, encouraging colleagues to think inclusively to meet all customers' needs. Our 'Inclusive for Customers' training launched in 2024, was introduced as a mandatory colleague training module, outlining the importance of inclusivity, focusing on supporting all customers with their individual needs.

This training module was awarded gold at the Event and Visual Communication Association (EVCOM) awards for Diversity & Inclusion.

Purpose in action

Supporting vulnerable customers through our partnership with Citizens Advice

SDG 1.4
By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

SDG 8.10
Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

SDG 17.17
Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

Key

Link to strategy

Grow Focus

Through our bespoke partnership with Citizens Advice we are able to refer customers to this charity for support. Our partnership with Citizens Advice is a significant step in transforming our support offering for customers facing financial difficulties.

Throughout 2024 we have been able to provide the following support for customers:

- c.6,400 customers have been referred for holistic support
- An average of three solutions per customer, including food bank vouchers, income maximisation, advice on legal matters and wellbeing support
- More than £4 million of potential financial gain unlocked for our customers through increased or new benefit awards and charitable grants
- c.300 foodbank vouchers given to customers, worth over £15,500

A customer who had been homeless for two years had no way to cook and only ate snack foods. He was also suffering with health issues and waiting for an operation on his knee.

He was in receipt of Universal Credit and Personal Independence Payment but was unsure if he was eligible to claim more. This customer was looking for advice and support to help him find somewhere to live.

Following our referral to Citizens Advice, they gained the customer's consent to contact his local authority and was given details for a community centre he could attend for immediate support.

The customer was given a hot meal, accommodation for the night and assigned an emergency case worker to support him to find permanent housing.

Empowering our customers in all circumstances

Our specialist support teams are trained to handle specific circumstances requiring extra care and bespoke support, which demonstrates our dedication to addressing individual needs.

The dedicated phone numbers for these specialist teams are accessible on our customer websites, ensuring ease of access for those who require specialist assistance.

Our colleagues are able to make referrals into these specialist support teams, reflecting our collaborative approach to providing the best possible support for customers. This ensures that customers in need are identified and connected with the appropriate resources and expertise efficiently.

In 2024, our specialist support teams provided dedicated support to all customers affected by:

01 Domestic and financial abuse – offering tailored support to empower customers in regaining financial control including opening new accounts, separation of joint accounts, supporting with debt and more.

02 Bereaved customers – supporting with practical and money-related matters following the death of a loved one.

03 Representative access – where the customer or their representative needs support to manage their accounts with us due to a serious health condition, loss of mental capacity, or future planning for when they are no longer able to manage their own accounts[1].

04 Serious illness and ill health – provision of fee suppressions, waiver of fees and charges, payment holidays and more.

1 This includes exceptional circumstances where the customer has lost mental capacity with no legal instruction in place.

Trusted persons

The Trusted Person Card and Trusted Person Alerts provide extra support for customers needing help with their finances. The card allows friends, family and carers to assist with everyday purchases and cash access using a separate card and PIN. Trusted Person Alerts let customers choose someone to receive text updates about their account activity without granting access to make payments or view balances, ensuring privacy and security.

We also offer 'speak on behalf' for customers who would like an informal agreement for a trusted person (such as a family member or friend) to speak on their behalf. These services have been effective, with over 12,000 customers benefitting from them.

Supporting customers impacted by gambling

We empower customers to manage their finances and control their spending with practical tools. Customers can set spending limits and sign up for Gamban directly from our websites for additional support. They can also access confidential online support and forums through GamCare, offering an alternative for those who prefer not to speak directly with someone.

Domestic and financial abuse

Our Domestic and Financial Abuse team has provided support to over 13,000 victim-survivors to rebuild their finances. Specially trained by the domestic abuse charity Surviving Economic Abuse, our colleagues are able to support customers in the way that best suits their needs. The team also signposts to domestic abuse charities for emotional and practical support where needed and takes direct referrals from domestic abuse charities.

Working with experts we have continued to develop our domestic abuse training module, providing colleagues with a stronger understanding of what domestic and financial abuse is and how we're able to support our customers.

We work closely with Surviving Economic Abuse, learning from its experts, including victim-survivors of financial abuse, to inform and evolve our strategy and enhance our support for colleagues and customers. Throughout 2024, we have supported over 4,500 victim-survivors of domestic and financial abuse.

Customers are able to seek support without the need to leave home by calling us, using our secure messaging system via our websites, or requesting a call-back from one of our dedicated case handlers.

Purpose in action

Supporting a domestic abuse survivor's journey to financial independence

Our customer endured over 10 years of physical and financial abuse in their marriage. They had a joint account but were not allowed to access funds without permission. All bills were their responsibility, and their partner, who rarely worked, demanded financial support, resorting to violence if unmet.

To cover essential bills, the customer frequently used their overdraft. After an incident at home, they left the relationship. The customer struggled to support themselves and their children due accumulated debt.

We then helped the customer open a new account with a non-geographical sort code to protect their financial independence and privacy. They were also referred to external support organisations like Surviving Economic Abuse and Women's Aid.

SDG 1.4
By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

SDG 8.10
Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Key

Link to strategy

Focus

Supporting our customers' needs

We want all our customers to have an excellent experience and be able to access our services in a way that is right for them, wherever they are. We are committed to making banking accessible and inclusive for everyone.

The Recite Me tool is available on our Halifax website, giving customers a range of tools to help access the website, supporting our neurodiverse customers and those with visual impairments.

The Lloyds Bank Digital Helpline offers a range of services to support customers with hearing loss or who are d/Deaf. We also offer Signly, a pioneering British Sign Language (BSL) translation application on our Lloyds Bank, Halifax and Bank of Scotland customer websites, supporting our d/Deaf customers.

Our inclusive design and delivery toolkits are practical resources that help our teams adopt inclusive approaches throughout the planning and delivery process. We ensure our teams have the tools to build and test their content and systems, incorporating accessibility standards into our methods for delivering change. We collaborate with the Digital Accessibility Centre (DAC) to improve our websites and apps to make them more accessible to customers, particularly those with physical disabilities and impairments.

In 2024, we introduced an Inclusive Design Panel in partnership with the social business, Three Hands. The panel is comprised of individuals with lived experience of various circumstances and experts from charities and support organisations. This panel reviews, tests, critiques and provides ideas on different products, improving accessibility and making products and services more available.

Inclusivity in access to banking

People experiencing homelessness, financial abuse, survivors of modern slavery, refugees, asylum seekers and prisoners are all demographics that may face greater difficulties in accessing banking services. Our commitment to financial empowerment is reflected in being the largest provider of basic bank accounts in the UK.

Throughout 2024, we worked with HM Prison and Probation Service supporting 48 prisons across the UK to provide prison leavers with basic bank accounts and face-to-face education and skills training. This training enables prison leavers to learn money and digital skills, along with the skills needed to get back into work. We continue to financially empower our customers by ensuring they have access to essential banking services, which are crucial for securing housing and achieving financial stability.

We're able to offer customers who do not hold standard identification a bank account, through our non-standard ID processes. This offering allows us to directly address a common hurdle that people may face when trying to establish a financial foothold.

It's important we understand the things we can do to support customers who don't speak English as their first language, if they need extra help. Our introduction of translation services in branches and over the phone is enabling customers to take advantage of products and services they previously may have not accessed, with over 108,000 customers using the service.

Accreditations and awards

This year, we have received accreditations and awards to recognise our support for customers with disabilities. In 2024, the Money and Mental Health Policy Institute charity has awarded Lloyds Bank, Halifax and Bank of Scotland an 'Advanced' rating through its 'Mental Health Accessible' programme for banks and essential services. We also received the National Autistic Society's prestigious Autism Friendly Award, marking our commitment to become the UK's first autism-friendly bank.

Empowering long-term security

We want our customers and communities to be equipped with the right tools to build prosperity at every stage of their life. Our purpose in Helping Britain Prosper includes the long-term security of our customers and communities.

Through Scottish Widows and the wider Group, we have focused on increasing the accessibility and education around long-term planning – building financial security for people through pensions, investments and insurance products.

The UK has the largest pension market in Europe, worth over £2 trillion. Over the past decade, automatic enrolment has helped an extra 10 million people save for their futures, increasing the proportion of Britons who now have a stake in society through their pension pots.

Our annual retirement reports have identified the different areas that impact our customers and their communities' long-term security. They have also identified the ways we can support to reduce inequality and insecurity in those areas.

Retirement report →

Scottish Widows' 20th annual retirement report reflects on some of the big changes over the last two decades which have decisively impacted how people prepare for retirement. The report focuses on the issues which face the UK and sets out what needs to be done to address these challenges.

Our report shows that although retirement is going well for most of today's retirees, some are negatively impacted by financial concerns or health problems, with growing differences between those who are enjoying retirement today and those who are thinking about what retirement might look like in the future. It also considers divergences in retirement conditions, preparation and outcomes across ethnicity, disability and the LGBTQ+ community.

Women and retirement report →

Scottish Widows' women and retirement report, also in its 20th year, examines the progress that has been made in closing the gender pensions gap – the difference between women's retirement savings and men's.

This latest report notes that on the current trajectory of change, it will take at least another 20 years before the gender pension gap is closed but acknowledges the impact of positive interventions such as the introduction of automatic enrolment, which has seen more women than ever saving into a workplace pension. It calls for a Lifetime Savings Commission to be set up, to enable all forms of retirement savings to be evaluated and avoid short-term policy changes that create complexity, confusion and impact consumer confidence in saving.

"Urgent action is also required to help tackle the gender pension gap. Education on how to support women with the steps to engage in their pension early is a must, but when combined with policy changes it will play a crucial role in helping all women actively take control of their pensions and start thinking about future savings decisions."

Jackie Leiper
Managing Director, Scottish Widows

We have developed and expanded our tools and resources to support our customers in securing their futures, whilst growing the Group's assets under administration.

Ready-Made Pensions

Built and managed by our experts, a Ready-Made Pension can help customers manage their pension savings and plan for retirement – making it easier to save for the future. Customers can view, track and top up their pension any time, all in one place, using the mobile banking app. Investments are made through Scottish Widows based on the planned retirement age.

Ready-Made Investments

Our Ready-Made Investments contain investments picked by our experts, helping take the worry and confusion away from investing. Investing is flexible starting with £50 per month and an adjustable level of risk. All funds are ready-made and managed by our experts.

Beat the Gap

This tool was launched on International Women's Day by Scottish Widows. Beat the Gap is intended to show when and how the gender pension gap can typically emerge across the average woman's life and provide the top three ways to beat that gap. Using the information provided, plus some assumptions, Beat the Gap uses UK average data on pensions, earnings and childcare to show how answers could impact a future pension pot.

Pension Mirror

Using AI technology, the tool scans the user's face and guesses their age. It then tells them the average pension savings for other people their age using the Office for National Statistics data, encouraging the comparison of their personal pension savings and engagement with the Scottish Widows app alongside education over pensions.

Empowering a prosperous future continued

Empowering customers continued

Mansion House Compact

Scottish Widows is proud to be one of the nine original signatories to the Mansion House Compact – a pledge from the UK's largest defined contribution pension providers, committing them to the objective of allocating five per cent of assets in their default funds to unlisted equities by 2030.

Responsible for £100 billion of pension investments on behalf of 4.5 million customers, Scottish Widows has an important role to play in giving customers access to high growth and early-stage companies from across the UK and the wider world, with the potential for improved returns and a more comfortable retirement.

With a long-term investment horizon, our ability to invest in the industries of the future ensures we align customers' interests with the providers of goods and services they will rely on in the moments that matter through each stage of their lives.

And as these businesses grow and serve new markets, so will their capacity for job creation. Providing not only goods and services, but also the jobs of the future. Just another way in which Lloyds Banking Group is Helping Britain Prosper.

Together we are creating a vibrant, modern economy and assisting the transition to a net zero economy.

Purpose in action

'Pay Your Pension Some Attention' campaign

Scottish Widows contributed to an industry-led engagement campaign coordinated by the Association of British Insurers (ABI) and the Pensions and Lifetime Savings Association (PLSA) encouraging people to engage and learn about their pensions through three simple steps:

1. Find out if you have any lost pension pots.
2. Log in to pensions accounts and check what you'll get when you retire.
3. Picture your future self and how much you'll need.

Please refer here → for more information on this campaign.

SDG 8.10
Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Key

Link to strategy

Change

Purpose in action

Scottish Widows Care

SDG 3.8
Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

SDG 8.10
Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Key

Link to strategy

Grow Focus

The Scottish Widows Care proposition for Scottish Widows Protect (SWP) policies includes built-in benefits at no additional cost. Clinic in a Pocket (CiAP), RedArc and Macmillan Cancer Support provide practical and emotional support for you and your family during times of need. They are available to you, your partner, and your children (up to age 23) from the start of the plan, without requiring a claim.

CiAP is a 24-hour GP service that allows customers to access a GP anytime, anywhere in the world. Appointments can be booked for a 15-minute video call, during which the GP can offer specialist referrals or medical prescriptions. Between January and August 2024, there were 550 consultations from Scottish Widows customers by CiAP, with 16 per cent involving children under 15. Notably, 48.5 per cent of referrals were from repeat users, underscoring the service's value. This service is designed to complement, not replace, face-to-face GP appointments.

RedArc offers a personal nurse support service, where a nurse is assigned based on the specific medical condition and remains available by telephone on a long-term basis. The support includes long-term emotional assistance, preparation for consultant appointments, signposting to self-help groups and sourcing medical aids. From January to August 2024, 25 new cases were registered with RedArc, slightly above the year-on-year average of 21 since 2018, with over 150 communications made across these cases.

Since the launch of the Scottish Widows and Macmillan Partnership, 834 customers have benefitted from Macmillan's support through signposting and conversations. Collectively, these customers have benefitted financially by over £405,000 as a result of this relationship.

Macmillan is on hand to support customers with emotional, practical and financial support and its advisers can help you to find the right type of support for you. Due to the success of the partnership, in 2023 it was agreed to extend by another five years.

Empowering businesses

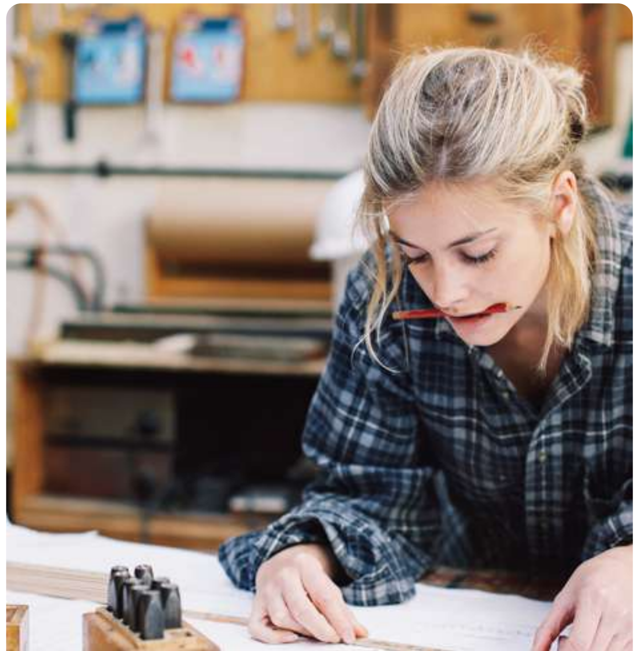
In this section

Empowering British businesses is central to our core purpose of Helping Britain Prosper. We are proud to be by the side of a diverse range of British businesses, supporting over 900,000 businesses and entrepreneurs with leading digital and relationship banking services, as they start up, grow and thrive, establishing deep and valuable customer relationships for the Group.

Our aim is to create an inclusive environment that empowers growth and development across a diverse range of businesses. We believe we can only prosper when businesses and communities across all parts of the UK have the right opportunities to succeed.

We are listening to businesses and working with others to broaden our expertise and are doing more to understand the barriers that businesses face. We are working hard to put the right programmes of mentoring, upskilling and networking in place, as well as tools and services that meet the specific needs of our business customers. We continue to provide dedicated support to businesses that may need guidance in navigating challenging times.

We remain focused on empowering underserved business owners from diverse backgrounds and have continued to create specific outreach programmes and mentoring to enable these entrepreneurs to thrive.



>80,000

businesses supported through the Lloyds Bank Academy with targeted support

100,000

small businesses, charities and clubs welcomed as new banking customers in 2024

Empowering businesses to grow

Supporting businesses through every stage

In 2024, the Group continued to play a crucial role in empowering and investing in businesses of every size, scale and location. From the early guidance and funding needed by entrepreneurs, to supporting larger companies and enterprises as they expand and grow.

Our support to businesses goes beyond financing. We've supported over 200,000 businesses via the Lloyds Bank Academy with interactive webinars and mentoring. Since the launch in 2023, we have also supported over 700 businesses via our Start-Up, Scale-Up programme – which is designed to help entrepreneurs and early-stage businesses achieve their growth aspirations.

In 2024, we continued to provide dedicated support to businesses that may need guidance in navigating challenging times. We proactively reached out to approximately 82,000 businesses via direct SMS, emails or engagement with relationship managers.

During 2024, we partnered with CBI Economics to publish the report Realising Regional Potential, which identified and assessed high-value, emerging clusters throughout the UK. Business clusters are engines of growth, helping businesses to drive innovation, investment, productivity and job creation. As we collectively navigate the challenges and opportunities ahead of us, sector clusters continue to be key for economic growth. Leveraging our economy's local strengths and specialisms is therefore crucial to fostering development and prosperity throughout the UK.

Please refer to supporting regional development and communities on **page 41** to find out more about how we are creating opportunities for businesses and communities in lower income places.

Be the Business

In 2024, through our partnership with Be the Business (BtB) we helped UK small and medium enterprise (SME) leaders improve the financial and operational performance of their business through greater productivity. 94 businesses have now benefitted from a Be the Business programme, and we have also provided 32 volunteers to the programme, enabling colleagues to support SMEs with their skills and expertise.

British Chambers of Commerce

British Chambers of Commerce

In 2024, we announced our second partnership with the British Chambers of Commerce (BCC), working together to support more SMEs with their international trade ambitions.

The partnership is developing research to better understand the trade barriers faced by business. It is also bringing together SMEs from across the UK to explore the practical support and solutions they need to help them prosper on the global stage.

2nd

year partnering and continue to be invested in working to support more SMEs with their international trade ambitions

Empowering diverse businesses

We understand that an important part of empowering underserved business owner communities is through helping to break down the socio-economic barriers that impact them.

In 2024 we, alongside our partner network, have invested over 32,000 hours of targeted support for over 9,000 Black, women and disabled entrepreneurs through our programmes and initiatives that are underpinned by data-led research and actions. Supporting long-term inclusive growth for the Group, we have focused on providing tools and services tailored for different need, but supporting growth and development for all.

Disabled entrepreneur support

In 2024, we have continued to listen and learn from the disabled entrepreneur community, whilst progressing actions internally and helping to convene the ecosystem on systemic change. We have collaborated with Small Business Britain to host networking events, provide mentorship and learning opportunities, and promote visibility of disabled role models – all aimed at empowering disabled entrepreneurs to thrive. We are also co-creating new propositions and services with active consultation on the design process by disabled entrepreneurs to enable better outcomes for customers.

>32k hours

of targeted support for over 9,000 Black, women and disabled entrepreneurs

Disabled entrepreneurs represent a vital yet often overlooked segment of the UK's business community and we are proud to have taken a lead role in supporting this agenda through research and engagement with the community, whilst championing systemic change. By creating equitable opportunities to start and grow businesses for disabled entrepreneurs, according to the Lilac Review, an estimated £230 billion could be added to the economy alongside the provision of a strong basis for inclusive banking more broadly.

In February 2024, we were proud to host the launch of the Lilac Review – an independent, government-backed initiative designed to identify and overcome the barriers faced by disabled business owners. The Lilac Review's Interim Report was released in May 2024, an in-depth study that explored the challenges faced by disabled entrepreneurs including the structural barriers encountered when starting and growing a business. The report included a series of actionable recommendations for government, financial services and business support organisations.

In December 2024, we became a founding signatory of the Disability Finance Code for Entrepreneurship, backed by the Department for Business and Trade (DBT), and designed to increase the pipeline of disabled entrepreneurs accessing finance across the industry. In 2025, we will be evidencing our commitment towards the code objectives.

Purpose in action

Cool Crutches

> "I know I bang on but what you are doing is genuinely ground-breaking, the approach you are taking is exemplary and the atmosphere yesterday was like nothing I've experienced before. This is and will continue to be life-changing for our community and your team are such a force of knowledge and action, it is so exciting to see!"

Amelia Peckham
on the co-creation event with Lloyds Bank

SDG 8.10
Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

SDG 10.2
By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status.

Key

Link to strategy

Grow Focus

Amelia Peckham, co-founder of Cool Crutches & Walking Sticks, acquired her disability at the age of 19 following a serious accident. Along with her mum Clare, she founded her business in 2006.

They sell comfortable, colourful, safe and silent crutches and walking sticks that are designed to reflect the user's personality and style ahead of their injury or disability. The company is growing rapidly and has gained significant recognition – including numerous awards, press coverage and celebrity endorsements for her products. Amelia is very passionate about actively championing the disabled community and is celebrated as a role model amongst her peers.

Amelia has been working closely with Lloyds Bank in addressing the needs of disabled entrepreneurs. The Lilac Review Interim Report emphasised the importance of including disabled entrepreneurs in the development and review of financial products and services.

Amelia joined us in leading a cohort of eight disabled entrepreneurs for a two-day co-creation event. Through this event the entrepreneurs collaborated with product and inclusion specialists, designing new product and service concepts focused on flexibility and accessibility.

Amelia has recently switched her banking to Lloyds Bank due to the positive steps we are taking to support disabled business owners, enabling more equitable access to opportunities.

> **"For so long inclusivity and accessibility has been a topic of conversation – an important one but invariably not one that's led to much change, until now.**
>
> **The Lilac Review has been focused on change from its inception, not just talking the talk but walking the walk. For me it gives hope, action and renewed passion to a community that has been left out for far too long. The Lilac Review is pivotal in proving change for our community is not only a priority but it's happening and that is about the most exciting prospect for us as individuals but also as founders and disabled-led businesses too.**
>
> **'You can't be what you can't see' is a phrase that we are passionate about, one that's integral to change – we need to be visible, we need to be in the room, part of the conversations and included in the mission to drive change and I'm delighted to say the Lilac Review does just that! It includes us, it encourages us, it highlights our value and power in a way that instils confidence and hope for a better future for everyone. What's not to love!"**

Empowering a prosperous future continued
Empowering businesses continued

Women entrepreneur support
We have engaged over 3,000 women entrepreneurs with over 11,000 hours of support through events and initiatives in 2024. We have continued to work with partners such as Leeds Business School at Leeds Beckett University for the #WECAN project and sponsored the Female Founders Rise community in 2024.

Our women-owned business hub → we have launched our hub which has supported entrepreneurs with resources, guides and signposting.

The Northern Perspective → we refreshed our learnings and used this research to support our focus on adding value whilst creating new and exciting opportunities that will help drive growth and equity for women entrepreneurs. There's been positive momentum since our initial research two years ago, with the number of respondents feeling their gender is a barrier to business dropping from 41 per cent to 22 per cent.

The Lifted Project → in 2024, we sponsored this data and ecosystem-led approach, by co-founders of Lifted Ventures Jordan Dargue and Helen Oldham, chaired by Zandra Moore MBE, to increase the flow of capital to regional high growth women founders. This has enabled the creation of regional growth boards in Edinburgh, Newcastle, Leeds, Liverpool and Birmingham.

As part of our ongoing commitment to the Investing in Women Code, we are dedicating resources to initiatives that promote the growth and scaling of women-led businesses through improvements in access to finance, networks and other key resources. Lloyds Banking Group is also actively involved with the Invest in Women Taskforce. Backed by DBT, the taskforce aims to enable more women to start and grow their businesses.

In addition, we continue to engage with the Women in Manufacturing initiative, a network of industry and academic professionals dedicated to promoting inclusion in the sector. We have supported the 'Changing Perceptions' conference in September 2024 for the second year and continue to work with individuals and businesses in the industry to produce content such as articles and podcasts to discuss how inclusion will support the skills gap.

Black entrepreneur support
The support we provide for Black entrepreneurs continues to grow in awareness and impact, including close relationships with community partners, sustained visibility and authentic presence providing a platform to deepen support. Our actions remain centred around the recommendations and calls to action from our research reports – 'Black. British. In Business & Proud' (BBiBP) →

In 2024, we engaged over 5,000 Black entrepreneurs with over 20,000 hours of support through the events and initiatives that make up the programme.

Our Black-owned business hub → which acts as a central point for case studies and resources support, also continues to grow in awareness, with which acts as a central point for case studies and resources support, also continues to grow in awareness, with over 13,500 unique visits, up from 12,000 last year.

Some of the highlights include:

Black in Business → our partnership with Channel 4 to provide Black businesses with £500,000 worth of TV advertising resulted in 21 million views of these commercials; we have renewed this partnership for 2025. Each winner reported significant growth in brand awareness and opportunities arising from the campaign. Grant funding and expert mentor sessions were provided to five 'Rising Stars', who reported this support contributed to increased revenue, operational efficiency and team morale.

Immerse → in partnership with Foundervine, we ran our third year of the programme including: two accelerators for early-stage and growth businesses with grant funding distributed to the winners of the end of programme showcase day.

Black Business Magazine → we were the headline sponsors of this quarterly editorial magazine platforming the stories of Black business owners and professionals across the UK. The partnership responds to a key recommendation of the BBiBP report → to promote the visibility of successful Black entrepreneurs, and has grown to a readership of 50,000.

Geared for Growth → we partnered with Jamii on a masterclass series, engaging over 1,000 business owners across a series of virtual and in-person events, covering topics such as achieving operational efficiency, finance fundamentals and brand storytelling.

>20k hours
of support for over 5,000 Black entrepreneurs

Purpose in action

Dalgety Teas

Mark Dalgety, born in London and raised in Guyana, is one of the five beneficiaries of the 2024 Channel 4 and Lloyds Bank, Black In Business initiative. The origins of Dalgety Teas can be traced back to Brixton Market in 1993 after a conversation with a trader who wanted to source Cerassie/Corilla tea bush from the Caribbean. After making £8,000 from that one order and realising there was a gap in the market, the idea to develop it into a business was born and orders soon began to pour in.

As the sole initial distributor, Mark knocked on the doors of 50 shops per day, establishing a network of customers across the country. Now, you'll find them in over 3,000 independent stores throughout the UK and three major supermarkets — Asda, Sainsbury's and Tesco.

> **"We see the Black In Business initiative as an opportunity for Black owned businesses to promote, advertise and showcase their products and services. The initiative also allows other communities and demographics to benefit from innovative products and services that under normal circumstances they might not have been exposed to or privy to."**
>
> **Mark Dalgety**
> Dalgety Teas

SDG 8.3
Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

SDG 10.2
By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status.

Key

Link to strategy

Grow Focus Change

Supporting skills development

Small and medium enterprises (SMEs) are a critical force in sustaining good, well-paid employment in the UK. We have continued to equip SMEs through levy transfer with the funding and knowledge to invest in skills and create local employment for young people and adults.

The Group is amongst the largest private sector donors to SMEs and by end of 2024, we committed financial support to over 1,700 apprentices, employed by over 1,200 businesses to a cumulative value of £18.9 million. Through this support we continue to champion skills development, education and sustainable employment for young people and adults in line with our strategy of Helping Britain Prosper.

The Lloyds Bank Levy Transfer fund has been supporting SMEs to take on more apprentices by covering the costs of apprenticeship training since 2019. Lloyds Bank has made 25 per cent of its apprenticeship levy available to support the UK economy grow through the upskilling and training of apprentices across the UK.

The Group completed its largest single apprenticeship levy donation to date in 2024 with £540,000 funding 45 educators at St. Bart's Multi-Academy Trust in Stoke-on-Trent to upskill their use of educational technology in the classroom and management of schools, improving operational efficiency and educational outcomes as part of St. Bart's Digital Champion Programme. The programme continues to empower and equip educators with digital skills and tools and strengthen the culture of growth and development.

£540k
donation to fund educators at St Bart's Multi-Academy Trust

The Group continues to emphasise the importance of skills development in manufacturing, primarily through its partnership with the Manufacturing Technology Centre (MTC) training centre. Through our partnership with the MTC, small businesses in the local area can access funding to enable the development of their existing workforces, as well as improving career opportunities for young people. The Levy Transfer can be used to fund both Level 3 and Level 4 apprenticeships, delivered from the MTC's training centre based in Coventry and Oxfordshire.

Please refer to **page 44** for further detail on how we support skills development through MTC.

Empowering education

In this section

In 2024, we have empowered over 1.4 million people supported with digital and financial inclusion through engagement and support. We recognise the importance of ensuring everyone has the potential to maximise their earnings, savings and financial wellbeing for a prosperous future.

Helping Britain Prosper includes investing in the skills and resources that empower our customers, businesses and communities to access and benefit from digital and financial services.

We are...

- Partnering with organisations like Vodafone to address connectivity devices and data affordability
- Providing free digital and financial capability support through colleague volunteering, our Academies and Digital Helpline to empower confidence and capability
- Simplifying help and support for our customers by embedding interventions at the point of need. Working with partners like Onward Homes and HM Prison and Probation Service to help customers
- Supporting the Department of Education through our proactive approach in defining and measuring the Essential Digital Skills Framework

We do this by...

- Setting up devices and connecting to Wi-Fi
- Reviewing budget and spending choices
- Offering Stay Safe Online training
- Growing productivity and skills for work
- Planning financial futures

Building digital and financial capability

Our commitment to becoming a more digitally inclusive financial service provider is an important part of our aim to help our customers prosper.

Our digital initiatives and tools demonstrate our dedication to providing practical support and resources to empower individuals facing various financial challenges and life events. We are helping businesses and communities scale and grow through building their digital skills.

In 2024, over 840,000 customers, individuals and small businesses have been empowered with financial and digital capability support. We have worked with social housing associations, a charity and local authorities to provide face-to-face support. We offer household and low digitally confident people with the only industry Digital Helpline, which provides free support, data and devices.

Online, we offer a free open-sourced set of essential digital skills, employability and financial skills training, created in partnership with internal experts and external partners. For customers, we embed support in key customer journeys, and offer expertise and content to our large clients and charity partners. For small businesses, mentoring and coaching has also been provided.

Consumer Digital Index

The annual publication of the Consumer Digital Index report, illustrates our continued commitment to tracking and analysing people's behaviours and attitudes towards technology, online services and financial wellbeing. This report serves as a significant resource for understanding the evolving digital landscape in the UK. The report is used by UK Government, devolved nations and local authorities, industry and the charity sector.

The integration of the Essential Digital Skills Benchmark into the Consumer Digital Index Report provides a comprehensive view of the digital skills necessary for independent internet access and is a crucial tool for assessing, informing and improving digital literacy.

Supporting the UK government through our proactive approach in defining and measuring the Essential Digital Skills Framework, we aim to reinforce our broader commitment to Helping Britain Prosper through supporting societal wellbeing and education.

>840k

customers, individuals and small businesses have been empowered with financial and digital capability support

Purpose in action

Liverpool inclusion pilot

SDG 4.4
By 2030, substantially have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

SDG 8.10
Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

Key

Link to strategy

Δ Change

In partnership with Liverpool Combined Authority, we have brought together over 100 local organisations to form a coalition called the Digital Inclusion Initiative.

Leveraging our partnerships, including Assurant and Vodafone, we have successfully helped almost 4,700 digitally excluded people to build their digital confidence and capability. We have provided over 4,700 Android tablets, with each device accompanied by six months of free mobile connectivity and in-person digital skills training.

"Digital inclusion is not just about access to technology – it's about giving people the tools to transform their lives. With more than 4,500 residents now able to access jobs, education, healthcare and stay connected with their loved ones, this initiative is already making a profound difference in our communities. The Liverpool City Region was the first in the country to launch a Digital Inclusion Initiative like this, and it's a perfect example of what we can achieve when we work together. This is just the beginning, and I'm determined that we will continue to bridge the digital divide and build a future where no one is left behind."

Steve Rotheram
Mayor of the Liverpool City Region

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Making money meaningful with financial education

We believe that early exposure to financial education empowers young people to manage their money effectively as they transition to financial independence. That's why we continue to support children and young adults across the UK, helping them understand the value of money, manage their day-to-day finances and develop financial resilience.

Our efforts are primarily delivered face-to-face by colleague volunteers in schools and further education establishments, through both centrally managed campaigns and do-it-yourself (DIY) initiatives. The impact of education extends beyond the young people we engage with, reaching their families and wider communities.

Regardless of the delivery channel, we provide a range of free resources for use available for download via the Lloyds Bank Academy site. Resources used for financial education in schools are Quality Mark accredited, the UK's only widely recognised accreditation system for financial resources. Employers can integrate this content into their apprenticeship and graduate enrichment programmes, and our materials are accessible for colleagues to support their own families, friends, networks and communities.

For the first time in the programme, we were invited by Ty Calon Centre, Whitchurch High School, Cardiff to deliver age-appropriate modules from our Quality Marked resources to students with Additional Learning Needs (ALN).

In partnering with this school, we worked with students aged 11-16 years, using 'Keeping my Money Safe' and 'Staying Safe with Digital Money' modules ensuring they were appropriate for the learning needs of the students in attendance.

84%

of students said they understood more about managing their money

In 2024, around 300 colleagues used their skills and resources to deliver face-to-face financial education lessons to over 2,600 students in 26 different educational environments across the UK. We continue to work with Young Enterprise to ensure that the learning outcomes of our resources align with recommendations from the Money and Pensions Service, and we collaborate with peer organisations through our engagement with UK Finance. We also actively promote Talk Money Week. Our ambitions for 2025 include scaling up DIY activities by colleagues in their local communities.

Resources for our customers

Aiming to empower and uplift our customers' capability and confidence, we have developed a multi-channel and multi-brand offering that provides digital and financial support. With partners, we have researched, co-created and tested materials to meet customer needs face-to-face, over the phone and online. Across 2024, over 623,000 individuals will have received meaningful support, including over 4,700 receiving free devices and data – thanks to partnerships with Vodafone, Assurant and WeAreGroup. Our involvement reflects a comprehensive approach to improving digital and financial participation. Our efforts to provide practical support, resources and training to individuals facing financial challenges and digital exclusion are making a material difference.

>2,600

students supported through face-to-face financial education lessons

In this section

Supporting regional development and communities

Support regional development and thriving communities.

Our success is intrinsically linked with the success of the UK's regions and nations and we are proud to support our customers and businesses across the country every single day.

Through our Regional Development programme we aim to become a leading partner in the regeneration of low-income regions and communities. We wish to play our part in addressing the considerable disparity which exists between different parts of the UK, actively seeking opportunities for investment and growth.

We encourage our colleagues to volunteer their time and expertise to support our programmes, many of which involve local charities, community organisations and social enterprises.

Read more on how we are supporting regional development and communities on our website.

Link to strategy

Grow

2024 highlights

£43m
invested in Community Development Finance

£1bn
committed to Regional Impact Fund

>£1.8m
raised by our colleagues for our Crisis partnership

>£35m
donated to our charitable Foundations in 2024

Regional development

Helping Britain Prosper means committing to realising the potential of all of the UK's regions. Our Regional Development programme actively creates opportunities for further investment and growth to support communities, businesses and sustainable returns for the Group.

The Group recognises there is still more that can be done to help address regional inequality and create thriving communities. Recent research shows that our larger, regional cities such as Liverpool, Birmingham and Leeds have considerable potential for economic growth and social regeneration and are falling behind their European counterparts. Maximising the economic prosperity of these places could lead to the UK economy growing by an additional £100 billion per year[1].

£100bn

estimated economic growth from investing in regional cities

1 Climbing the Summit June 2024 →

Our Regional Development programme

To harness this opportunity, our Regional Development programme was established with three main objectives:

- Creating economic opportunity
- Regenerating housing and communities
- Capturing the benefits of net zero transition

Working alongside our clients and partners, we aim to continue Helping Britain Prosper by increasing the flow of funding into the UK's regions and nations.

Funding regional opportunities

One way in which we're stimulating increased investment in the UK's lower income regions is through deployment of funding from our Regional Impact Fund (the fund). We've committed £1 billion to support opportunities in the UK's regions which are aligned with our Regional Development objectives. The fund is allocated specifically to projects that will have significant social, economic or environmental impact at a regional level.

Our first transaction from the fund was the provision of £43 million of funding to support the Community Development Finance sector. You can read more about this in the case study on **page 44**.

A key objective of our fund is to support social and affordable housing in alignment with the Group's overall strategic priorities. An early example is our funding to Breck Homes, enabling the development of sites for social and affordable housing in the North-West of England. Many of these developments are located in some of the most deprived areas in the UK and our funding will accelerate growth plans, allowing Breck Homes to continue to help to meet the growing demand for this type of housing.

For further information on how we are supporting access to social and affordable housing refer to **page 19**.

A key objective of our fund is to support social and affordable housing in alignment with the Group's overall strategic priorities.

£1bn

committed to our Regional Impact Fund

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Supporting businesses across the UK

The Group has its origins firmly rooted in the regions and nations of the UK and as part of our strategy, we support businesses of all sizes every day, helping them to thrive through the funding and other financial propositions we provide to them.

This includes our private equity investment firm Lloyds Development Capital (LDC) which champions portfolio companies across the UK to grow their business sustainably, diversifying and differentiating growth for the Group. Please refer to **page 45** for examples of LDC's impact in the regions.

Here are some examples of businesses which we've backed during 2024.

£96m

funding to Bruntwood SciTech as part of a £480m sustainability-linked loan package

£75m

funding package to the Midlands-based housing association Citizen Housing

Supporting UK businesses

01 Citizen Housing

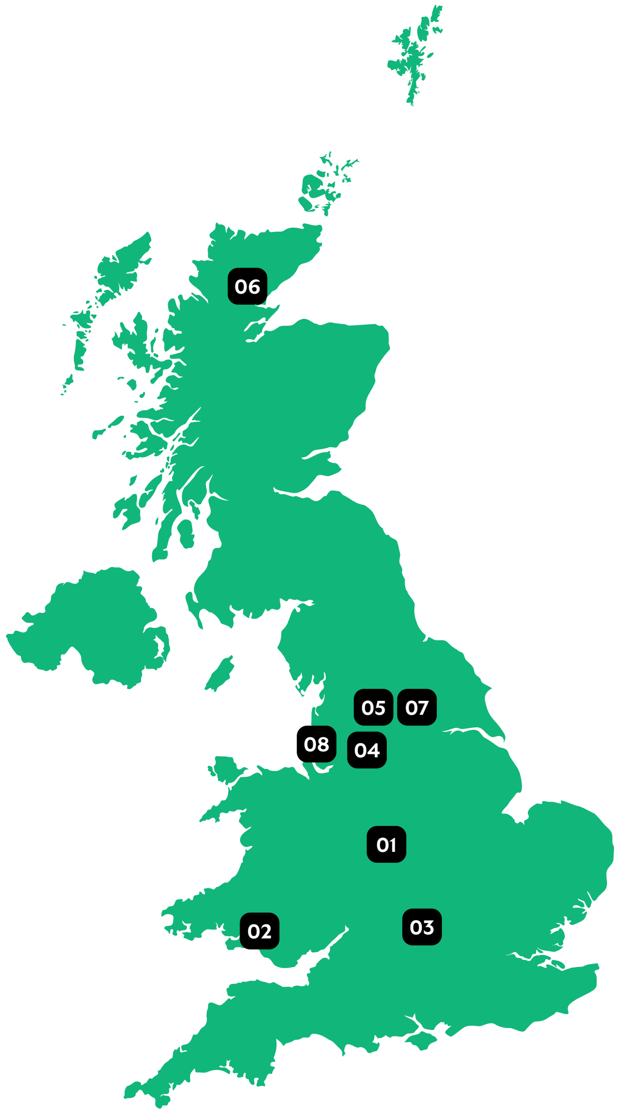
We provided a £75 million funding package to the West Midlands-based housing association, Citizen Housing. It will help more people in the Midlands to benefit from a safe, secure and affordable home, funding the building of new homes and improving the energy efficiency of existing ones.

02 Uprise Bikes

Our funding has enabled this company to open a new e-bike showroom and storage facility in South Wales, helping it to meet the growing demand for e-bikes.

03 EnSilica

During the year we established a specialised lending team which is focused upon supporting high growth, innovative businesses across the UK. This team provided £9 million of debt funding to EnSilica which makes specialised microchips to perform specific functions, such as chips used for satellite communications and advanced safety and comfort features for cars. The Oxford-based company is growing quickly and is a major tech employer in the area.



04 Electricity North West

During the year we provided £75 million of funding support to Electricity North West, the electricity distributor for the North West of England; this support will help the company to invest in its network, facilitating the region's transition to net zero. The company serves over 5 million customers and is headquartered in Manchester, providing over 2,300 jobs in the region.

05 PLATFORM_

The Housing Growth Partnership formed a £150 million joint venture with PLATFORM_ to deliver 451 rental homes in Leeds, transforming the unused city-centre site into a thriving mixed-use community. Please refer to **page 18** for more information on the Housing Growth Partnership.

06 Royal Dornoch Golf Club

We also provided a £5 million funding package to this historic golf club, helping it to open a new energy-efficient clubhouse. Funding was provided through our Clean Growth Finance Initiative which provides discounted lending in support of sustainable measures. The development will also lead to the creation of both permanent and seasonal local jobs.

07 AW Hainsworth & Sons

While we support new businesses and entrepreneurs, we remain supportive of established and mature businesses, like Yorkshire-based textile manufacturer AW Hainsworth & Sons. The business continues to innovate, investing with our support, to enable it to produce fabrics ranging from woollen cloth to technical textiles, such as fabrics suitable for personal protective equipment and for use in the aviation industry.

08 Bruntwood SciTech

Our £96 million of funding supports this property platform serving the UK's innovation economy. It is part of a £480 million debt package, with loan pricing linked to meeting agreed sustainability targets, and we were also pleased to be the sole sustainability coordinator for the transaction. The finance will enable the delivery of an additional 3.6 million square feet of laboratory and office space including sites in Liverpool, Manchester, Cheshire, Birmingham, Leeds and Cambridge.

Supporting regional development and communities continued

Supporting businesses across the UK continued

Purpose in action

Community Development Finance

10,500

jobs supported through our funding

SDG 8.3
Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

SDG 8.10
Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Key

Link to strategy

Grow

Small businesses play a key role in our economy with 99 per cent of all businesses in the UK being classified as small.

We help small businesses in many ways including providing bank accounts, funding, advice on starting and running a business, and digital skills. We also support Community Development Finance Institutions (CDFIs) which are small, non-profit lenders who provide finance to local businesses, often in the most disadvantaged communities. Around 50 per cent of CDFI lending is to areas in the UK's 35 per cent most deprived regions and CDFIs have a strong regional focus.

They also finance a greater number of female-and-Minority-Ethnic-group-led businesses than average.

During 2024, we provided £43 million of funding to three CDFIs based in Doncaster, Wolverhampton and Bradford, as part of a £62 million fund, supporting small businesses and growing sustainable returns for the Group. This ground-breaking commitment is the first commercial loan made to the sector by a mainstream UK lender and aims to invest in 800 businesses, supporting around 10,500 jobs. Aligning with our purpose, this represents a source of sustainable return for the Group.

Building on this investment, we are now playing a leadership role in scaling the sector, including providing grants to CDFIs to help them expand their capacity and capability. We are also working collaboratively to encourage the flow of finance into the sector from other lenders.

Purpose in action

Drivers of growth: The role of universities in boosting regional prosperity

SDG 4.A
Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all.

SDG 4.4
By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

SDG 8.2
Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors

Key

Link to strategy

Grow

Support for higher education is at the very heart of our purpose of Helping Britain Prosper. It's for this reason that, across the UK, the Group has a relationship with over 70 per cent of higher education institutions and is the lead bank to 30 per cent of larger universities, winning more tenders in 2024 and continuing to drive our sustainable growth.

For example, we provided a £100 million revolving credit facility to the University of Glasgow to support its liquidity during its ambitious capital investment programme. The programme includes the development of a new state-of-the-art building dedicated to learning, teaching and research, which will have the capacity to accommodate 3,600 students.

However, we also recognise that both the UK's universities and the UK's regions are facing significant, and well-recognised, challenges as the 21st century economy develops. During the year, working alongside PwC UK, we engaged leaders across the nation, from higher education, industry, finance and city and regional government.

These discussions culminated in the co-authoring of a report, 'Drivers of growth: Universities' enhanced civic role at the heart of national prosperity' → where we set out the opportunities to address these challenges, by placing our universities at the heart of the revival of the UK's regions.

The report sets out practical recommendations, for example how successful universities place their regions at the heart of their purpose and strategy, and how enduring partnerships between regional education institutions, businesses and public bodies can provide the foundations for long-term success.

One example which we showcase in the report is the work of the Manufacturing Technology Centre (MTC). The MTC works closely with its three Midlands-based founding universities – Birmingham, Nottingham and Loughborough – and over a dozen others. The Group has committed £15 million total sponsorship to the MTC since its inception and we expect to exceed our commitment of supporting the training and upskilling of more than 6,000 apprentices, graduates and engineers in manufacturing by the end of 2029.

The MTC offers programmes that address key challenges such as supply chain resilience, digital transformation, and new product or process development. To date, participating businesses have collectively gained around £7.2 million of business benefit through increased revenue, cost reduction and profit growth.

For more information refer to Manufacturing Technology Centre | Manufacturing | Lloyds Bank Business → Further information on how we are supporting apprentices in businesses can be found on **page 37**.

£100m

revolving credit facility provided to the University of Glasgow to support its liquidity during its capital investment programme

Purpose in action

Investing in education: The Edwin Group

SDG 4.C
By 2030, substantially increase the supply of qualified teachers, including through international cooperation for teacher training in developing countries, especially least developed countries and small island developing States.

SDG 8.2
Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

Key

Link to strategy

Grow Focus Change

LDC exited its investment in The Edwin Group (the group) to Quad Partners in 2024 following a successful three-and-a-half year partnership. The Newcastle-based group is a purpose-led education services provider, employing a team of dedicated, education specialists who work nationally to safely recruit and retain the highest quality leaders, teachers and support staff.

Through this partnership The Edwin Group has expanded to work with over 4,500 schools across the UK and opened nine new locations. Over the past year the group recruited over 11,000 teaching and support staff, equipping them with the skills they need to support schools and their young people. The group's tailored approach to providing education solutions that address systemic challenges in the sector has made them the long-term partner of choice for schools and multi-academy trusts. Mental Health Champions have been trained across the group to support their community through their bespoke solution, Still Human. Still Human educates schools on how to better support staff wellbeing, improve workplace culture, reduce stress and boost staff retention.

The group is committed to its ESG responsibilities and was awarded ESG Excellent status following an independent third-party audit by Sustainable Advantage for its ongoing work and investment. The Edwin Group is proud to have been named in the Sunday Times Top 10 Best Places to Work for two consecutive years, with recognition for industry-leading levels of employee engagement.

"With the team at LDC's support, we are now better equipped than ever to meet schools' and multi-academy trusts' increasingly complex needs. Importantly, we've been able to grow the business and expand our range of products and services without losing sight of our values or our commitment to excellent customer service."

Liam Roberts
CEO, The Edwin Group

Purpose in action

Cakesmiths

In January 2024, LDC exited its investment in Bristol-based business Cakesmiths to Onoré. During the two-year partnership, LDC supported Cakesmiths to secure high-profile client wins, significantly upgrade its digital platforms to almost treble revenue and EBITDA whilst also investing heavily in its workforce and operations.

The business remains based in Bristol with all its cakes handmade by a growing team of 180 from the local area, including talented bakers. The business has an inclusive approach that caters to a wide range of palates, including a broad vegan and very-low gluten range, and prides itself on exciting innovation and limited edition 'small batch' runs. All Cakesmiths packaging is fully recyclable reflecting the business' commitment to reducing waste to landfill whilst keeping products fresh during distribution. Customer and colleague needs remain at the heart of their operations, with a continued focus on providing high-quality service and products led by a local workforce.

LDC continues to be committed to supporting regional development through partnership with entrepreneurs and businesses throughout Britain – using private equity as a catalyst for growth, change and sustainability.

"This is the second time I've worked with LDC and, as always, they are a class act who have supported us every step of the way. I like the way that LDC support management and challenge us to be better in many different ways."

Chris Ormrod
CEO, Cakesmiths

SDG 8.2
Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

SDG 12.5
By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Key

Link to strategy

Grow Focus Change

CAKESMITHS
FOR COFFEE SHOPS

Supporting our communities

As a Group we have a duty to help support communities facing challenges such as social disadvantage, housing problems and poor financial education as well as the wider issue of the transition to net zero, which affects us all, through investment and skills.

Through our Community Engagement programme, we work with a range of specialist partners, leveraging our skills and scale to help create a more inclusive and sustainable society. Our investment into communities takes on many forms, including direct cash donations, colleague volunteering and fundraising. We use the Business for Societal Impact (B4SI) measurement framework to define our corporate community investment in a clear, consistent and robust way.

Through funding our four charitable Foundations, our bold partnership with Crisis to increase access to high-quality affordable housing, delivery of financial education to children and young people and championing sustainability with the Woodland Trust, we are helping tackle social disadvantage and support important sustainability initiatives.

Colleague volunteering

Our primary volunteering themes are closely aligned to our Group's purpose and strategic partnerships to support our impact as a Group on our key focus areas to Help Britain Prosper.

>£65.3m

B4SI aligned community investment in 2024

Our 'Time to Make a Difference' volunteering programme supports colleagues to give a minimum of eight hours a year within work time to volunteer. In 2024, we launched a brand new 'Your Volunteering' app for colleagues to ensure that their volunteering journey and the Group's ability to report on engagement are both greatly enhanced. We encourage our colleagues to engage in skills-based volunteering to better serve our communities in tangible ways and gain valuable experiences.

This year, colleagues from across the Group took part in a Conservation Day with the Steyning Downland Scheme (SDS), to experience exactly how the Weald to Waves project we are supporting as part of Projects for Nature puts nature recovery and landscape connectivity into action.

Throughout 2024, 13,500 colleagues contributed more than 86,000 hours of volunteering, utilising a wide variety of their skills across our purpose themes of sustainability, charitable foundations, financial education and housing/homelessness. We also encourage colleagues to claim Matched Giving, managed through our Foundations, against hours volunteered in their own time for local charities.

More information can be found about our financial education schools volunteering programme on **page 40**.

Purpose in action

Woodland Trust

We're contributing to a greener and more sustainable future through our partnership with Woodland Trust and our commitment to planting 10 million trees over 10 years to the end of the decade.

To meet the UK's goal of net zero carbon emissions by 2050, woodland cover needs to increase from 13 per cent to 19 per cent, (the equivalent to 1.5 billion trees) but the UK currently has one of the lowest levels of woodland cover in Europe, (25th out of 28 countries).

Our partnership contributes towards this goal, while also enabling colleagues to volunteer with the Woodland Trust in both tree planting and inventory activity.

Further information about this initiative can be seen on **page 67** and here →

5m

trees planted since 2020 with the Woodland Trust

SDG 13.3
Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

SDG 15.A
Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.

Key

Link to strategy

Δ Change

Charity partnerships

Supporting housing as a route to end homelessness

Housing provision is embedded in the Group's purpose, as well as being one of the biggest challenges our society faces today. By aligning our charity partnership to this purpose, we know that we can have a much greater impact.

Currently, 242,000 families and individuals across the UK are experiencing the worst forms of homelessness. We are working with Crisis (and Simon Community in Northern Ireland) to help them provide the support that will help people to leave homelessness behind for good. In 2024, we announced that our partnership would be extended for a further two years to the end of 2026.

Since our partnership started in 2023, over £3.1 million has been raised with over 1,300 colleagues volunteering their time to support activities across the UK. Highlights in 2024 have included a 'signature' challenge trek in the Atlas Mountains through which 120 colleagues raised more than £550,000, and 2,400 colleagues raising £250,000 through City Walks around the country.

Through our partnership, Crisis is launching Good Place Lettings Agency, breaking down the barriers that people face in accessing affordable housing. Our partnership is also helping people to rebuild their lives and become financially secure through the Changing Lives grant programme, supporting financial stability through access to further education, employment or business start-ups.

As we look forward, we'll focus on expanding the Crisis Changing Lives programme and we'll help fund Crisis' frontline services across its network of nine Skylight centres. Through the centres, members are connected to a dedicated lead worker to support them with highly personalised care and help to find the right services for their situation. Please refer to **page 21** for a case study on how Crisis is helping rebuild people's lives.

>£1.8m

raised by colleagues and customers to support Crisis and Simon Community

Supporting regional development and communities continued

Supporting our communities continued

Our charitable Foundations

Our four independent charitable Foundations have been providing vital support through partnership to small and local charities across the UK and Channel Islands for nearly 40 years, helping tackle social disadvantage in the communities that need it most. The Foundations provide core funding alongside other forms of support to help people overcome complex social issues such as ill mental health, domestic abuse, addiction and homelessness.

From their work, our Foundations share their insights, expertise and best practice with the Group to help inform our customer and colleague products and propositions. Our partnership goes much further than traditional funding; we share skills, time and expertise with the Foundations, with hundreds of colleagues getting involved.

In February 2024, we donated £35.2 million to our Foundations, up from £24.7 million in 2023. In the last five years, we have donated over £120 million. In August 2024, we donated an additional £500,000 specifically to help charities in England, Wales and Northern Ireland deal with the impact of civil unrest, which was used for emergency transport, food support or the provision of security as well as offsetting the cost of cancelled events.

£35.2m

donated to our charitable Foundations in 2024

LLOYDS BANK FOUNDATION England & Wales

BANK OF SCOTLAND Foundation

HALIFAX FOUNDATION for Northern Ireland

LLOYDS BANK FOUNDATION Channel Islands

Lloyds Bank Foundation for England and Wales →

Lloyds Bank Foundation for England and Wales has awarded Skills Enterprise c.£142k in unrestricted grants that will support it through to 2026. It works with vulnerable and marginalised people, offering digital and vocational skills training to help them develop skills, connections and confidence – empowering them towards stable employment as a way out of poverty.

Its CEO has recently been matched with a Lloyds Banking Group colleague mentor and the charity has been connected to our Academy Teams who are training the charity staff in our Essential Digital Skills programme, before they can roll it out to their service users.

Bank of Scotland Foundation →

Our Matched Giving Programme encourages colleagues to volunteer and fundraise for charities they care about. Each year, colleagues can claim up to £500 to match funds they've raised for charities and £10 per hour, to a maximum of £500, for charities where they've volunteered their time.

Thanks to volunteers from Lloyds Banking Group, Musselburgh Windsor Community Football Club has received an impressive £22,120 over the last 12 years from Bank of Scotland Foundation.

Allan Russell from our Insurance, Pensions and Investments division, one of many colleagues who volunteer with the club, commented: "What I love most about volunteering is being involved at a team level with my kids… watching them develop and grow."

John Hood, Club Operations Manager, said: "The financial support that Bank of Scotland Foundation gives to charities supported by Lloyds Banking Group colleagues who volunteer is invaluable and is greatly appreciated by everyone."

Halifax Foundation for Northern Ireland →

First Steps Women's Centre, based in Dungannon, provides education, training and support to women. It offers up to 350 places per year to women on wellbeing, life skills and ancillary programmes. It also offers a wrap-around service which includes an onsite crèche with bilingual staff, minibus transport to and from the centre and a counselling service.

It has received a £5,000 community grant from the Halifax Foundation for Northern Ireland towards a numeracy, literacy and health and wellbeing programme for 120 women who have been suffering from isolation, loneliness, mental and/or physical ill health. Debbie said: "It was great to see the impact that our funding has on beneficiaries." The charity was also supported by colleagues in 2024 through a Charity Response Forum, where charity leaders benefit from a problem-solving workshop with colleagues keen to share their business experience.

Lloyds Bank Foundation for the Channel Islands →

The Lloyds Bank Foundation for the Channel Islands funds, supports and champions charities in the Channel Islands that make a positive difference to the lives of people who are socially excluded and disadvantaged, enabling them to play a fuller role in the community.

On World Homeless Day, two Guernsey charities – Action for Children and Maison Saint Pierre – unveiled ambitious plans to create up to seven new training flats for young people at risk of homelessness. With over £200,000 of funding from Guernsey Community Foundation, Lloyds Bank Foundation for the Channel Islands and the Social Investment Fund, the new flats will be ready for occupation early in 2025.

The Foundation's Executive Director, Jo Le Poidevin, said: "This project perfectly demonstrates the power of collaboration and community within Guernsey's charity sector."

Action for Children, Guernsey is currently supported by the Foundation through a two-year grant of £97,638.

Purpose in action

British Cycling Partnership

2024 marked the start of a new partnership between Lloyds Banking Group and British Cycling, as lead partner for their events, social impact programmes and sponsor of Great Britain cycling team. This relationship is built on shared values, with both organisations proudly supporting people, businesses and communities across the breadth of the country. As such, we're committing to playing an active role in all aspects of the sport – from increasing the reach of grassroot initiatives to supporting elite events.

This multi-year partnership has been entered into with our sustainability objectives front of mind. Working in collaboration with British Cycling, we'll embark on a series of programmes that will positively impact communities across the UK.

Reaching communities
In year one of this partnership we succeeded in increasing the reach and impact of British Cycling's flagship events, the Lloyds Tour of Britain Men and Lloyds Tour of Britain Women. Research commissioned by British Cycling has shown the Tours of Britain have contributed a combined £27.6 million[1] to the local areas that hosted stages. In supporting the UK's largest free-to-attend sporting event, we're engaging new audiences and having a positive impact on the towns and cities through which the Tour passes.

Future ambitions
As the relationship with British Cycling grows, our work will focus on purpose-led programmes that seek to inspire participation and increase engagement of an activity that is inherently sustainable.

1 Lloyds Tour of Britain races boost local economies by £30 million in 2024 →

SDG 17.17
Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

Key

Link to strategy

Grow

Purpose in action

Projects for Nature

SDG 13.1
Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

SDG 15.A
Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.

SDG 15.2
By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

Key

Link to strategy

Grow

We are a founding business partner of Projects for Nature – an innovative initiative aiming to protect and restore England's natural environment. Lloyds Banking Group has donated £250,000 split between three nature recovery projects enabling a tangible difference to be made in combatting nature loss across England. These projects offer learning opportunities for us and our clients on how we can leverage finance to support nature recovery for scaling up in the future.

Weald to Waves – Knepp Wildland Foundation: Creation of a 100-mile nature recovery corridor, connecting over 20,000ha of habitats along three main rivers in Sussex to the coast; helping to boost biodiversity, reduce flooding, capture carbon and enhance the rural economy.

Resilient Glenderamackin – West Cumbria Rivers Trust: Aims to deliver nature-based solutions to reduce flood risk, restore nature and mitigate climate change. Led by the West Cumbria Rivers Trust, the project is co-designed with farmers and land managers to ensure natural flood management interventions.

Dalehead – National Trust: Working with tenant farmers in the High Peak on sustainable farming including the restoration of natural habitats to benefit people, nature and climate. This includes events, workshops, training and peer-to-peer support to promote sustainable farming. It also supports the restoration of 2.6km of wetland.

For more on our partnership with Projects for Nature →

In this section

Building an inclusive organisation

Our ambition is to be the leading UK business for diversity, equity and inclusion supporting our customers, colleagues and communities.

We are creating a more diverse and inclusive organisation that is representative of modern-day Britain and which can better serve its customers, clients and communities.

We know the success of our business is dependent on our colleagues, retaining and attracting the best talent is essential for delivering our ongoing strategic transformation. We aim to look for ways to help them feel more supported, in control and confident about their future.

We are committed to creating an environment in which everyone can thrive, learn and develop. From inclusive everyday practices in our working culture to maintaining a safe and healthy working environment for all colleagues.

Read more on how we are creating a more diverse and inclusive organisation on our website.

Link to strategy

Change

2024 highlights

40.4%
of senior roles held by women

12.6%
of senior roles held by Black, Asian or Minority Ethnic heritage colleagues

1.8%
of senior roles held by Black heritage colleagues

16.1%
of senior roles held by colleagues with a disability

Our 2024 diversity, equity and inclusion performance

A more inclusive business is a stronger business. In line with our Group strategy and our activity to maximise the potential of people, our goal is to ensure inclusion is at the heart of everything we do, further integrating initiatives across our operations, ensuring it influences every aspect of our work with our customers, colleagues, communities and partners.

Our refreshed approach and plans remain centred around our guiding principle of Inclusive Every Day, our internal campaign launched in 2023. This is supported by our inclusion plans which we've developed in partnership with our Group Executive Allies, diverse colleague panels and our employee networks.

Recognising the importance of social mobility, we are dialling up our focus on this important topic, ensuring we provide equitable opportunities for all. This includes enhancing our understanding of our colleagues' experiences, launching our new colleague network – Boost and providing increased support for those entering the workforce for the first time.

We've also dedicated additional time to understand our colleagues' perspectives through listening sessions and have developed our first training programme focused on disability and neurodiversity. This programme is not only available to all our colleagues, but we have also created a public-facing version of our e-module to support businesses, organisations and individuals become more disability and neurodiversity confident. With the review complete and the groundwork in place, from 2025 we are taking a bold new approach to our ambitions, which we will achieve by 2030.

Our 2024 diversity, equity and inclusion performance

			Number 2024	% 2024	% 2023
Gender	Board members	Men	5	50.0	54.5
		Women	5	50.0	45.5
	Senior positions on the Board[1]	Men	3	75.0	75.0
		Women	1	25.0	25.0
	GEC	Men	7	53.8	53.3
		Women	6	46.2	46.7
	GEC and GEC direct reports	Men	71	54.6	53.8
		Women	59	45.4	46.2
	Senior managers	Men	4,691	59.6	59.9
		Women	3,184	40.4 ⊛	40.1
	All colleagues	Men	30,090	45.2	43.7
		Women	36,397	54.8	56.3
Ethnicity	**Board members**				
	White British or other White		8	80.0	81.8
	Asian heritage		1	10.0	9.1
	Mixed/multiple ethnic groups		1	10.0	9.1
	Senior positions on the Board[1]				
	White British or other White		4	100.0	100.0
	GEC				
	White British or other White		11	84.6	86.7
	Asian heritage		2	15.4	13.3
	All colleagues				
	Senior managers of Black, Asian and Minority Ethnic heritage		950	12.6 ⊛	11.3]
	Senior managers of Black heritage		138	1.8 ⊛	1.7
	All colleagues of Black, Asian and Minority Ethnic heritage		10,735	16.9	15.3
Disability	Colleagues who disclose that they have a disability		11,895	18.7	12.2
	Senior managers who disclose that they have a disability		1,218	16.1	12.4
Sexual orientation and gender identity	Colleagues who disclose their sexual orientation		49,682	77.8	72.9
	Colleagues who disclose that they are LGBTQ+		2,569	4.0	3.6
	Colleagues who disclose their gender identity		44,644	69.9	60.7

1 Senior positions on the Board refer to the roles of the Chief Executive Officer, Chief Financial Officer, Senior Independent Director and Chair of the Board.

⊛ Metric is subject to limited assurance by Deloitte LLP see **page 03** for details.

Methodology and definitions:

- Data is sourced from the HR system (Workday) containing all permanent colleague details
- All data as at 31 December 2024
- All diversity information for ethnicity, disability, sexual orientation and gender identity is based on voluntary self-declaration by colleagues. Our systems do not record diversity data of colleagues who have not declared this information and is for UK payroll only
- Gender data includes international, those on parental/maternity leave, absent without leave and long-term sick and excludes contractors, temporary and agency staff
- LGBTQ+ includes 'Asexual/Ace Spectrum, Bisexual/Bi, Gay Man, Lesbian/Gay Woman, Pansexual, Other Sexual Orientation and includes Trans
- The Group Executive Committee (GEC) assists the Group Chief Executive in strategic, cross-business or Group-wide matters and inputs to the Board. The GEC includes the Group Chief Executive and excludes colleagues who report to a member or attendee of the GEC, including administrative or executive support roles (personal assistant, executive assistant)
- The GEC and GEC direct reports include the Group Chief Executive, the Group Chief Financial Officer and colleagues who report to a member or attendee of the GEC, excluding administrative or executive support roles (personal assistant, executive assistant)
- Senior managers: Grades F, G and Executive (Executive being grades above G)
- A colleague is an individual who is paid via the Group's payroll and employed on a permanent or fixed-term contract (employed for a limited period). Includes parental leavers and internationals (UK includes Guernsey, Isle of Man, Jersey and Gibraltar). Excludes leavers, Group non-executive directors, contractors, temps and agency staff
- Diversity calculations are based on headcount, not full-time employee value
- Ethnicity data excludes non-UK colleagues

Building an inclusive organisation
continued

Gender

We are committed to leading the way on gender equality. Our focus is on enhancing the talent pipeline to achieve a gender balance in senior roles.

Our commitment to gender balance is reflected in the steady progress we have made, with 40.4 per cent of senior roles held by women at the end of 2024. This is against the ambition we set ourselves in 2020 to achieve 50 per cent representation of women in senior roles by 2025. Our dedication to gender balance remains steadfast and in 2024 we refreshed our overall approach, moving to new ambitions that better align with our strategic ambitions.

Advancing gender balance in our leadership team

With our refreshed strategic ambitions and plans firmly at the heart of our transformation, we're setting a new ambition to reach and maintain a gender balance of between 45-55 per cent in executive[1] roles by the end of 2030. Setting this ambition for our leadership team is important in providing role modelling and inspiration for our colleagues and ensures more inclusive strategic decision making. It also supports greater innovation and adaptability, both vital as we continue to transform our business for the future.

Alongside this ambition, we will continue to focus on meeting the goals outlined in the FTSE Women Leaders Review.

In 2024, we proudly continued our role as co-sponsors of the government-backed FTSE Women Leaders Review, achieving all the recommendations, including reaching 40 per cent women in Board and leadership positions, ahead of the 2025 target date.

Lloyds Banking Group is also the highest-ranked bank in the FTSE 100 for 'Women in Leadership', advancing to 5th place overall in 2024 – a significant rise from 73rd in 2017.

Gender pay gap

Progress has continued towards closing the gender pay gap with the mean gender gap reducing by 0.8 percentage points to 25.9 per cent (April 2023 to April 2024). The full gender and ethnicity pay gap report is available in our sustainability downloads →

Supporting women into tech and data

We know women are underrepresented in tech and data roles – currently women represent nearly 29 per cent of these positions in Lloyds Banking Group, aligning with broader UK market trends. As demand for these roles grows, we are committed to supporting gender balance in this area.

Our Elevate Programme, designed to cultivate talented women up to the senior manager level in tech, data and security, received the prestigious Princess Royal Training Award from HRH The Princess Royal and City & Guilds in 2024. With an underrepresentation of women in tech, we are pleased to see that many of the women who have attended Elevate have experienced a positive impact in their career.

Growing future talent

In 2024, we continued to attract women into our tech and data graduate and apprenticeship roles, with women comprising 40 per cent of our tech and data graduates, and 48 per cent of our tech and data apprentices. This is extremely important to ensure we continue to build a balanced pipeline for future senior roles.

Our Breakthrough Network

Actively championing women in our workplace, our Breakthrough Network aims to create a truly gender-inclusive environment. This year, it has organised a robust calendar of events, collaborating with other networks to focus on career development, financial resilience, women's health and safety and supporting significant observances like Menopause Awareness Month and International Women's Day.

External recognition and achievements

We have continued to be recognised for our work externally in 2024, named in the Times Top 50 Employers for Gender Equality → for the 13th consecutive year and announced winner of the INSEAD Balance in Business Award for Best Strategy → These accolades reflect our ongoing commitment to sustaining an inclusive and equitable workplace.

1 Executive roles include Grade X colleagues only, subject to local laws and regulations.

Ethnicity

We are committed to building an inclusive society and creating an organisation that reflects the diverse community that we serve.

We remain focused on both being representative of our communities that we serve and creating an inclusive environment. Increasing representation of colleagues of Black, Asian and Minority Ethnic heritage remains challenging, but we are focused and continue to make progress in the right direction.

Throughout 2024, we have seen a continued increase in the representation of Black, Asian and Minority Ethnic and Black heritage representation in senior roles. At the end of 2024, 12.6 per cent of senior manager positions were held by Black, Asian or Minority Ethnic colleagues, and 1.8 per cent held by Black heritage colleagues.

We continue to exceed the Parker Review recommendation of having at least one Black, Asian or Minority Ethnic Board member. For more information on our Board ethnicity see page 136 of the annual report and accounts 2024 →

As we move into the next chapter, our new ambitions for 2030 reflect the fluid nature of both our transformation and our evolving society. Grounded in UK census and industry benchmarking, we are moving to ranging goals between 3.5 per cent and 4 per cent for Black heritage and 19 per cent and 22 per cent for Black, Asian and Minority Ethnic representation in executive[1] roles.

We continue to be guided by the principles of our Race Action Plan, launched in 2020, which focuses on driving cultural change, improving recruitment and progression within the Group and actively supporting Black heritage communities across the UK. We are looking closely at our colleague life cycle and enhancing representation in key growth areas such as technology and data. Alongside this we're continuing to upskill our workforce and leadership and are committed to ensuring fairness in our people policies and processes.

Upskilling colleagues and supporting with career progression

In 2024, we continued our Line Manager Race Education sessions, and are proud that around 10,000 line managers and leaders have been trained since launch. Additionally, 129 colleagues joined our Career Acceleration Programme, which supports our Black heritage talent with their career aspirations.

Growing future talent

We welcomed another cohort of Black interns from the 10,000 Interns Foundation, with 35 students joining us in 2024. And 120 T-Level students, age 16–19 completed an 11-week paid work placement in our cyber, data, engineering and finance teams. 43 per cent of these students were of Black, Asian or Minority Ethnic heritage[2].

In 2024, we also welcomed new graduates with 34 per cent of Black, Asian or Minority Ethnic heritage and 8 per cent of Black heritage.

Our colleague networks

Our Race, Ethnicity and Cultural Heritage (REACH) network, Black Organisation for Leadership and Development (BOLD) and Faith community groups continue to support colleagues' career ambitions and create an empowering environment. In 2024, they hosted various events, discussions and activities to support and connect our Black, Asian and Minority Ethnic colleagues and allies, both virtually and in person.

Enabling our colleague networks helps us to support higher levels of engagement across our business and is an important factor to enabling our colleagues to thrive, helping us build deeper connections with the different communities that we serve across the UK.

We are committed to listening to our colleagues to better understand their experiences and track progress against our ambitions. Listening sessions are also crucial for us to ensure we understand and improve how we respond to social issues that impact all of our colleagues.

External recognition

At the 2024 Ethnicity Awards → we were once again listed as one of its Top 10 Employers. We have achieved this every year since the launch of the awards in 2018 and have been recognised as its overall Outstanding Employer three times.

Lloyds Banking Group colleagues have also been recognised in the INvolve Empower Role Model Lists → and at the Black British Business Awards → highlighting their contributions and leadership within the community.

Ethnicity pay gap

Continued progress has been made with the mean gap reducing by 2.7 percentage points to 3.0 per cent (April 2023 to April 2024). This is the largest improvement since we started reporting in 2020. The full gender and ethnicity Pay Gap report is available in our sustainability downloads →

1 Executive roles include UK-based Grade X colleagues only.
2 Data provided by the schools and colleges we have worked with.

Disability and neurodiversity

We aspire to be a best-in-class leader in disability and neuro-inclusion.

Since launching our goal to double the representation of senior colleagues with disabilities in 2023, we've seen a significant uplift in the number of colleagues sharing their disability data – rising from 24.7 per cent in March 2023 to 60.5 per cent at the end of 2024. Our aspiration is for 80 per cent of UK colleagues to have shared their data with us by the end of 2025.

Alongside this goal, we committed to:

- Making our recruitment processes more accessible and inclusive
- Supporting career development
- Improving the accessibility of our workspaces and technology
- Upskilling colleagues to reduce stigma
- Championing the disability community beyond our organisation

In 2024 we publicly launched our Blueprint for disability and neuro-inclusion → sharing our commitments, plans and how we leverage our progress to not only create a more inclusive culture for our colleagues but also to help us better serve our customers with disabilities.

Support for colleagues and future talent

We also launched our Group-wide disability and neurodiversity upskill programme. Developed based on colleague feedback, it includes an interactive e-module, a toolkit and workshops for line managers, delivered in partnership with the Business Disability Forum.

Colleagues with lived experience of disability and neurodiversity played a crucial role in shaping the design, content and functionality of our e-module. For the first time, we incorporated features such as an inbuilt text reader, zoom functionality, a British Sign Language interpreter and audio narration. This inclusive approach sets a new standard for future design across the Group.

As part of our commitment to drive disability and neuro-inclusion beyond our organisation, we also launched a public-facing version of the e-module which any individual, business owner or organisation can access here →

Following a successful pilot in 2023, we proudly continued to support the 10,000 Interns Foundation programme in 2024, welcoming 17 students with a disability or neurodivergent condition for eight weeks of paid work experience. These initiatives enrich the diversity of our inclusive talent programmes.

Our Access network, which supports colleagues with disabilities, long-term health conditions, neurodivergent conditions and allies, continues to raise awareness, provide upskilling opportunities, support and reduce stigma.

Within Access, we have established communities including a neurodiversity group and a d/Deaf Culture Club.

In 2024, Access hosted its first Hackcess event, focused on driving inclusive innovation. This unique event leveraged the collective knowledge and lived experiences of over 60 colleagues, aiming to improve our workplace through innovative and inclusive design thinking.

We continue to create inclusive buildings and workspaces. Our design standards ensure that our new workspaces are better suited to our colleagues with neurodivergent conditions. This includes offering a variety of workspaces to suit differing work styles, minimising ambient and visual noise, optimising natural light, and ensuring layout and sensory consistency across sites. We also now have five accessible Changing Places facilities available for colleagues and the public, after opening another facility in our Leeds office.

External recognition

In 2024, colleagues have been recognised in the global Enable Role Model list.

We continued to sponsor the Disability Power 100 list → which celebrates the achievements of the most influential people with disabilities in the UK and aligns with our own ambitions to drive disability inclusion across society.

Purpose in action

Upskill programme

SDG 8.5
By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

SDG 10.2
By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status.

Key

Link to strategy

Δ Change

Since its launch in September 2024, over 35,000 colleagues have completed the 'This is Me' e-module and 676 line managers have attended the workshop. This programme plays a pivotal role in helping us build a more disability- and neuro-inclusive organisation, driving better outcomes for our colleagues, customers and communities. We aim for 80 per cent of colleagues to complete the e-module by the end of 2025. Feedback has been overwhelmingly positive. Many have highlighted the accessibility of the training, the powerful impact of real colleague stories and how the programme has made them rethink how they can be more inclusive on a daily basis.

"I found the training powerful and quite emotional. The thought of not being able to be your full self when you come to work really saddened me. It struck me how little thought I'd given to this over the years – how I had taken for granted the fact I feel comfortable being myself at work. It made me question whether I was doing enough as a leader to understand how my team feel and what role I could play."
Rob Cregeen, Consumer Relationships

"We don't often get the opportunity to discuss real lifestyle scenarios in a psychologically safe space and this workshop gave us the opportunity to do just that… I feel more comfortable and confident challenging conversations where I have heard microaggressions, and assumptions about others. One of the best workshops I have attended!"
Gill Spensley, Commercial Banking

Sexual orientation and gender identity

We are committed to continually improving the employment experience for our LGBTQ+ colleagues.

Our goal is to create a workplace where LGBTQ+ individuals feel comfortable and empowered to be their true selves. As a leading employer in this field, we recognise the challenges that LGBTQ+ individuals may face. We are committed to addressing these challenges and building a supportive and inclusive environment for everyone.

Support for colleagues

In 2024, we introduced comprehensive guidance to support colleagues who transition or change their gender at work. This guidance was developed in collaboration with colleagues from our Rainbow network, internal experts, legal advisers, external specialists and allies. It aims to assist both colleagues and their line managers, enhancing support for individuals on their journey and improving line managers' understanding of the complexities involved in transitioning or changing gender identity.

This year, we've piloted an enhanced Employee Assistance Programme (EAP) specifically for our LGBTQ+ colleagues and allies. This initiative was launched in response to feedback indicating that the existing EAP could better address the unique challenges faced by our LGBTQ+ colleagues. Our pioneering service is supported by individuals with lived experience and specialist training, ensuring our colleagues are met with empathy and understanding.

Pride continues to be an all-year round celebration of all sexual orientations and gender identities. Activities peak in the summer with over 1,000 colleagues and their guests taking part in 18 external Pride events across the UK. Rainbow continues to play a pivotal role in supporting our LGBTQ+ colleagues and allies. In 2024, Rainbow ran events across key awareness days including Trans Awareness Week, Lesbian Visibility Day, Bi Visibility Day and National Coming Out Day.

We also launched our series of LGBTQ+ Client Roundtable events, these sessions examine various challenges that the LGBTQ+ community faces both within organisations and externally. Our discussions span a range of important topics, including talent attraction, career pathways and colleague support. These are all core outputs from our recent My Voice colleague survey, and we believe they are crucial conversations to partner with our clients on.

External recognition

In 2024, colleagues have been recognised in the INvolve OUTstanding Role Model lists → and in the LGBT Great Top 100 Gamechangers list → which recognises and celebrates LGBTQ+ talent around the world.

Social mobility

In 2024, we've focused on understanding more about the socio-economic diversity of our colleagues.

We are developing a strategy aimed at removing barriers and ensuring that individuals from any socio-economic background have the opportunity to reach their full potential. Inclusion is core to our purpose and values and gives an important lens through which we view outcomes for customers, communities and colleagues. We recognise the greater focus on social mobility, and we are actively involved with the Progress Together group, which is focused on improving diversity at senior levels in financial services.

We have an opportunity to be recognised as a leading organisation that removes barriers and provides opportunities for individuals from any socio-economic background to thrive. Our goal is to position social mobility as a golden thread that weaves through all aspects of representation, recognised as a key lever in achieving all our inclusion objectives and ambitions. We are focused on improving our inclusive insights to ensure they are reflective of our colleagues. Our aim is for 70 per cent of colleagues to share their socio-economic background and, in 2024, we made it easier for colleagues to do this by adding the data capture within our central people system.

Understanding our colleagues

67.3 per cent of colleagues have shared their socio-economic background with us. Notably, 23.8 per cent of colleagues overall and 21.2 per cent of our senior colleagues come from low socio-economic backgrounds[1], which compares favourably against other organisations as per the Progress Together annual benchmarking.

1 Data sourced from our annual colleague survey.

Launching our Social Mobility colleague network

In 2024, we launched Boost, our Social Mobility network aimed at fostering a sense of belonging for colleagues from diverse socio-economic backgrounds. The network promotes education and awareness around social mobility and supports colleagues in reaching their full potential, regardless of where they started off in life. Boost has collaborated with our other diverse colleague networks to host various events, including a Social Mobility in Financial Services session and supporting the National Mentoring Day. Boost's two executive allies play a crucial role in reinforcing our commitment to social mobility, demonstrating leadership support, including at the Group Executive Committee and on the Board.

Supporting the next generation

In 2024, we supported young people in education from primary to further and higher education. Our Youth outreach helped over 100,000 young people develop essential skills and experiences to realise their potential.

Named T Level Employer of the Year, we supported vocational learning for 120 students in cyber, data, engineering and finance; the largest placement provider in the UK.

To support social mobility we extended outreach to students from lower socio-economic backgrounds to five UK regions through our partner Uptree and pioneered undergraduate mentoring with Zero Gravity. In 2024, 38 per cent of our summer interns and 26 per cent of our graduate intake told us they have come from a lower socio-economic background.

Supporting our colleagues

We recognise that colleagues who can be their authentic selves at work are central to our success and delivering on our purpose. We want to ensure all our colleagues feel supported, inspired and motivated at Lloyds Banking Group.

Grow with purpose

Lloyds Banking Group is committed to Helping Britain Prosper by identifying profitable solutions to building a more inclusive and sustainable future for people and businesses in the UK.

We believe that focusing on our purpose and doing right by our customers, colleagues and communities will help us identify new areas of growth, build a more resilient and profitable business, and deliver higher, more sustainable returns for shareholders.

Our colleagues are key in delivering the Group's ambitious transformation and growth strategy, which also sets out a plan to be a purpose-driven business and we recognise our culture is a fundamental enabler of that.

The Group's purpose of Helping Britain Prosper is as important as ever and in order for us to grow our business in a way that delivers good outcomes for customers, communities and colleagues, we need to put our purpose at the front and centre of every decision we make.

Throughout the year, we have been further embedding our purpose and values across the organisation and helping colleagues understand how our values guide not only the way we work together, but also how we make decisions.

Our leaders play a crucial role in the cultural change. Following on from the senior leadership development programme centred around the organisational shifts we completed in 2023, the focus for 2024 was our vision of becoming a customer-focused digital leader. Once again, all 340 senior leaders were brought together in smaller groups, over two days immersed in how we take a 'customer-back' approach, innovate, drive quicker and more accountable decision making and raise the performance bar for our customers. This was taken further down the organisation through one-day sessions with our Scale and other senior leaders, who collectively lead c.75 per cent of our colleagues. We are planning to take this further in 2025, as we build business unit-focused leadership plans for 2025.

In driving the change, leaders are supported by a movement of over 6,300 colleagues as 'Catalysts' across the business. Representing more than 10 per cent of our colleague population, these changemakers role-model our values and purpose, share stories and drive improvements by challenging the status quo and unblocking issues that get in the way of how we work. Our Catalysts inspire everyone across the Group to help us become a truly purpose-driven organisation.

Recognition

To create an environment of belonging, recognition is a key component to boost morale, increase productivity and foster a positive workplace culture. It helps employees feel valued and motivated, leading to higher job satisfaction and retention.

From June 2024, recognition has gone through significant transformation, connecting colleagues to 'what good looks like' with our behaviours and introducing our transformation cards on the platform.

From Group-wide alignment to annual awards, celebrating those who have had Game Changing outcomes for our customers, to a platform refresh, enabling our colleagues to have an updated experience of recognising each other.

Our upgraded platform includes:

- Better accessibility for more colleagues
- Evolved branding to align to the business and continue to improve the look and feel
- AI-powered technology to make content more relevant and personalised
- Inclusion coach to check language is inclusive and recommend changes if needed

Policy simplifications

Our colleagues told us that it was taking them too much time to find the information they needed on our people policies. So we've taken action and simplified our colleague policy standards and guidance to make it easier for colleagues to find what they need. We've reduced the amount of content by 60 per cent and colleagues have told us it's much clearer for them to understand.

Dealbreakers

As part of this simplification we've created a new Personal Behaviours Policy standard which replaces the colleague conduct, disciplinary and grievance & harassment standards. This now includes clarity around behaviours we won't tolerate and should all challenge. Known as our 'Dealbreakers' these clearly outline the behaviours we'll discourage. They sit alongside our Values which are behaviours we want to encourage.

Building an inclusive organisation continued

Supporting our colleagues continued

Colleague engagement

In 2024, we deepened how we listen to our colleagues to provide a more regular and complete picture of sentiment.

We want people to love working here. With more than 66,000 colleagues[1] working across the Group, we welcome their views and opinions on a range of topics to help us grow together.

We evolved our pulse and annual surveys by providing greater alignment to our strategy and purpose, which has made it easier to take action and address what colleagues have told us. Our annual survey has been rebranded in response to feedback and to improve the colleague experience. Other listening included two additional one-off surveys; on colleagues' perceptions of internal communication channels and to understand how colleagues feel heard, alongside Board listening activities and listening focus groups on key topics.

Our annual survey was completed by 81 per cent of colleagues in the Group, which gave us a near-complete view on sentiment on our transformation journey, including over 190,000 comments. Engagement increased by five percentage points to 71 per cent and our advocacy measure (employee Net Promoter Score) increased by four points to +8. Both are robust outcomes considering the backdrop of high volumes and pace of change. Our line managers continue to be integral in building and maintaining a positive culture, with trust in leadership showing strong growth.

During the year, the Group communicated directly with colleagues detailing Group performance, changes in the economic and regulatory environment, and updates on key strategic initiatives. Meetings were held throughout the year between the Group and our recognised unions. Stakeholder engagement takes place at all levels within the Group and is an important part of how we are delivering on our purpose of Helping Britain Prosper.

The Board continues to engage both directly and indirectly with its stakeholders. This engagement helps to provide a better understanding of our colleagues' perspective, and the impact the Group has on their day-to-day lives.

1 Based on average headcount figures for 2024. Headcount figure is equivalent to over 61,000 FTE colleagues.

Please see our annual report and accounts 2024 → on page 86, for additional information on how the Board engages with the workforce.

Freedom of association and collective bargaining

We support our colleagues' rights to exercise freedom of association and have extensive consultation and collective bargaining processes in place.

During 2024, we collectively consulted and negotiated with two trade unions on behalf of our UK workforce, that represent around 98 per cent of colleagues, and have engagement with the CEO and Group executives. An evolved approach to colleague engagement and collective representation will be implemented in 2025 with the introduction of three forums to better represent colleagues at grades where trade union membership is low.

Pension schemes

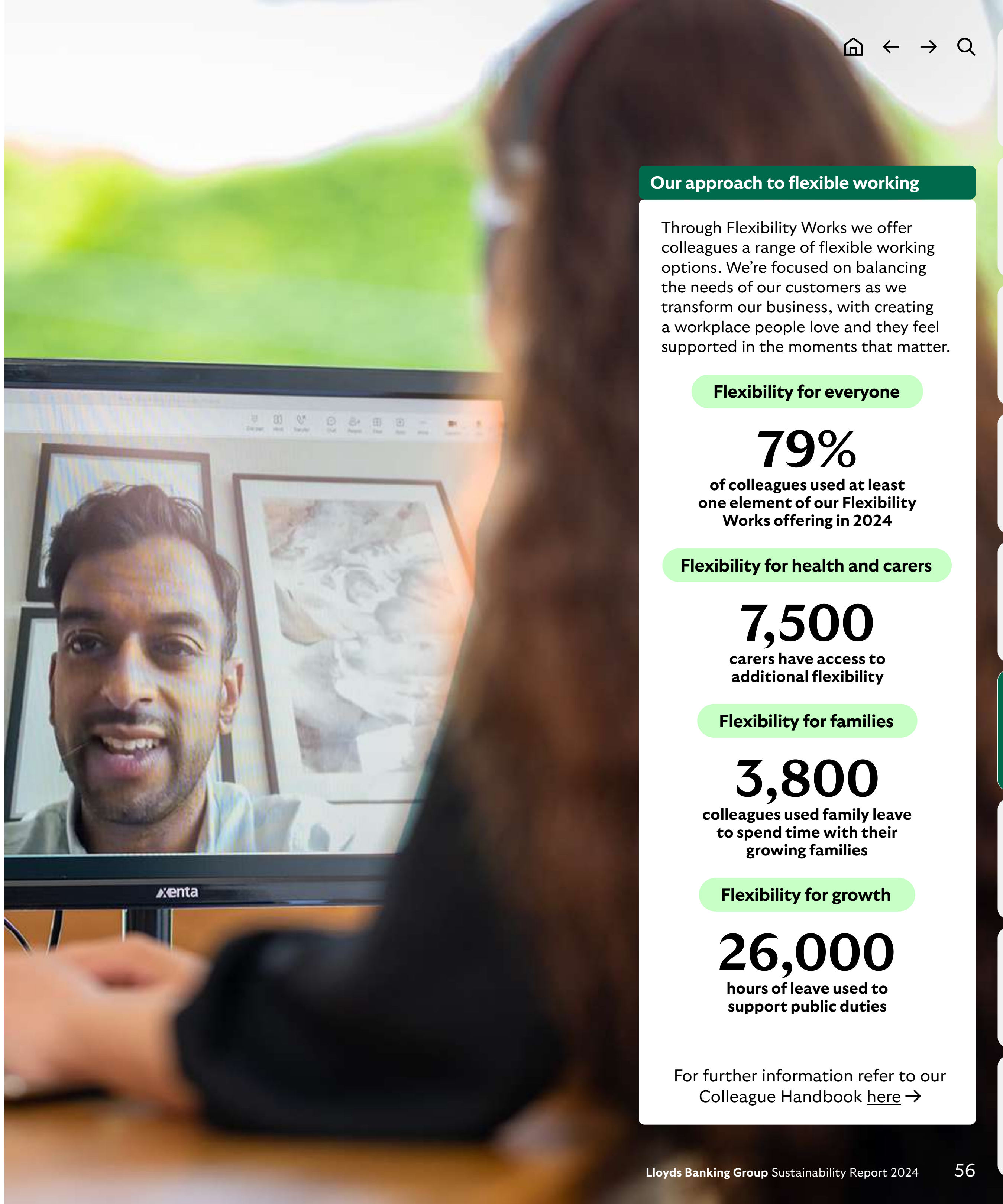
98 per cent of our employees participate in the Group pension schemes.

Lloyds Banking Group Pensions Trustees Limited, which is responsible for managing the largest Group pension schemes, has the ambition to reduce carbon emissions by at least 50 per cent of its approximately £35 billion investments by 2030 and be net zero by 2050.

As part of this and in response to member feedback, Lloyds Banking Group Pensions Trustees Limited integrated sustainability considerations into its investment strategy, allowing our colleagues in the defined contribution schemes to opt to participate in an ESG-aligned pension investment.

98%

of our employees participate in the Group pension schemes



Our approach to flexible working

Through Flexibility Works we offer colleagues a range of flexible working options. We're focused on balancing the needs of our customers as we transform our business, with creating a workplace people love and they feel supported in the moments that matter.

Flexibility for everyone

79%

of colleagues used at least one element of our Flexibility Works offering in 2024

Flexibility for health and carers

7,500

carers have access to additional flexibility

Flexibility for families

3,800

colleagues used family leave to spend time with their growing families

Flexibility for growth

26,000

hours of leave used to support public duties

For further information refer to our Colleague Handbook here →

Performance management 'Your Best'

Your Best is the way we enable high performance and continuous development. It helps everyone deliver brilliantly for our customers, communities and colleagues.

Your Best is a framework that builds on our Group's strategy, purpose and values. It helps us achieve our key aims of making the Group a place that people love to work, where people deliver for our customers and communities, and shape finance as a force for good.

The year starts with goal setting, where leaders and managers help colleagues connect with the Group's strategy. Colleagues understand how their work aligns to this and create focused performance goals and development goals to ensure they can deliver more for our customers and they have the relevant skills to be able to do this, both now and for the future.

On a day-to-day basis, colleagues are supported to be their best by in-the-moment feedback and coaching from their managers. This is a two-way dialogue as we encourage managers to ask regularly for feedback on how they are leading their teams.

Quarterly check-ins provide the opportunity for line manager and colleague to talk about performance and development more holistically, providing clarity on performance to date and setting actions for the next 90 days. Checkpoints provide a quarterly opportunity for management to come together to discuss colleague impact across the peer group, helping to provide challenge and check for bias, informing check-ins.

"Clarity in our goals is the compass that guides our teams to success. When we share our vision with clarity, we light the path of our teams to deliver results together."

Tanya Evans, Culture & Leadership Director
Lloyds Banking Group

Colleague remuneration

In 2023 we secured a sector-leading two-year pay deal with our two recognised unions covering both 2024 and 2025.

This deal has created certainty for our more junior colleagues who will receive a further minimum pay award of £1,500 pro rata and a new minimum starting salary of £25,000 in April 2025, a 6.3 per cent increase on 2024 and some 25 per cent higher than our minimum pay at the start of 2023.

The Group continues to be an accredited Living Wage Foundation Employer with current pay rates comfortably above the minimums required for accreditation.

To encourage ownership, colleagues are eligible to participate in our HMRC-approved share plans. We also continued to promote our Healthy Finances Hub and Employee Assistance Programme to enable colleagues to support themselves at key personal moments.

Further information is provided on pages 110 to 111 in our annual report and accounts 2024 →

Health and wellbeing

The health and wellbeing of our colleagues remains a key priority for the Group. We use a data and values-led strategic approach to understand the wellbeing needs of our people, along with any emerging issues and trends in the external environment.

We are on an innovation journey, ensuring our wellbeing proposition meets the existing and emerging needs of colleagues as the business continues to grow, focus and change. Our approach continues to deliver support across each of our six pillars and wellbeing remains a key theme in our internal communications, helping colleagues to feel supported through the wide range of focused wellbeing support on offer to empower healthy and sustainable choices. We use colleague stories and journeys throughout wellbeing campaigns to make the content relatable and real – highlighting the context, support received and colleague update.

Throughout the year, our focus on improving mental health has seen us deliver colleague listening and focus groups to better understand colleague needs, psychological safety workshops for managers and interactive wellbeing screening (kiosks) which were introduced across some of our key offices. Our strategy centres on directing our colleagues to the wellbeing support that they need quickly and simply using wellbeing roadshows, our advocates network and a refreshed communications approach to grow awareness and engagement.

Our six pillars of health and wellbeing

Healthy mind	Healthy relationships
Healthy body	Healthy finance
Healthy work life	Life stages

Please refer to Health and wellbeing – Lloyds Banking Group plc for additional information here →

Colleague mental health

At Lloyds Banking Group, the mental health and wellbeing of our people is our priority and we remain committed to creating a fully inclusive workplace where all colleagues, regardless of business area, contract type or geography are supported to thrive at work. We believe it is important that we are consistently challenging the stigma that exists around mental health and encouraging open conversations so that we are able to serve our customers in the best way we can.

Our approach focuses on the spectrum of mental health, from everyday wellbeing through to clinically diagnosed conditions. We focus on prevention as well as support.

We use a range of data to understand the wellbeing and mental health of our colleagues. This includes a range of internal mental health and people data, mental health services utilisation, colleague listening and colleague voice to gauge the overall health, wellbeing and engagement of colleagues. We use that data to support evolution of the provision to support wellbeing and to create a culture around wellbeing where colleagues and leaders feel safe to be vulnerable and seek support. Colleagues make more than 120,000 visits per month to our internal Health, Safety & Wellbeing site which hosts continually renewed resources to support colleagues.

At the start of 2018, we increased the amount of cover available to colleagues through private medical benefit for mental health conditions (£50,000), to be equal to the financial support available for physical conditions and to create 'parity of esteem'. Utilisation data demonstrates that colleagues find this increasingly helpful.

Building an inclusive organisation continued

Health and wellbeing continued

Almost 50,000 permanent and temporary Lloyds Banking Group colleagues learned about mental health and how to support others through specialist mental health online training and a further 2,600 have completed suicide prevention training.

This year, we've launched our new wellbeing advocates programme, with more than 1,500 advocates now onboarded and trained. This new programme places focus on 'whole person wellbeing' with understanding that overall wellbeing and mental health are intrinsically linked and should be supported.

We provide free subscription to the market-leading meditation app, Headspace, to all colleagues and their loved ones. The app provides access to content covering a range of topics from stress to self-esteem. Approximately 26,000 colleagues have registered, along with 2,500 of their loved ones. These initiatives continue to help us to change our culture around mental health, empowering our colleagues to openly talk about, and take ownership of, their own wellbeing and take action to support it.

Pushing mental health boundaries

We continue to focus on improving colleague access to the right mental health support that is tailored to them and their individual needs. We're undertaking market-leading trials with our EAP partner, testing opportunities to get colleagues who have certain protected characteristics paired directly with a counsellor who has similar relevant lived experience. This approach reduces friction for our most vulnerable colleagues and builds confidence to access mental health support during a time of need.

Mental health as a key component of our health and wellbeing strategy continues to be a focus, building a culture where mental health stigma is consistently challenged and reduced. We listen to colleagues, test and learn, remaining agile to further hone our approach and ensure all colleagues feel supported to be their best at work.

Our commitment to the mental health of our colleagues has been Accredited 'Excelling' by the City Mental Health Alliance (CCLA) against its Thriving at Work Assessment.

Race and Ethnicity Mental Health Advocates

We collaborated with the City Mental Health Alliance on the mental health and race at work report, which seeks to build the business community's understanding of the challenges faced by Black, Asian and Minority Ethnic employees at work and how this impacts their mental health. The Group has had tremendous success through its training and offering of colleague mental health advocates. By leveraging the mental health and race at work report, we have recruited and trained 42 race and ethnicity mental health advocates to support our Black, Asian and Minority Ethnic colleagues to discuss mental health-related issues and get support directly from colleagues who have lived similar experiences.

Private medical benefit

All colleagues are offered private medical benefit as a core employee benefit, which gives access to high-quality medical care, including accommodation, nursing care and specialist advice.

In 2024, we've extended colleague cover to include neurodiversity assessment and diagnosis and worked with the Neurodiversity arm of our Group disability network to improve awareness. Our Group Disability team have invested heavily in building manager awareness and capability through our new Disability and Neurodiversity Manager training.

Cover is also available for family members by purchasing additional benefits through our benefits programme, Flex.

Menopause support

Approximately 31 per cent of our workforce is made up of women aged over 40, which means many of our colleagues could be experiencing symptoms of perimenopause or menopause. We want to ensure all our people are healthy at work and reach their full potential. As a Menopause Accredited bank, we have also continued to improve our support for colleagues, increasing the primary care benefit limit from £250 to the entire £500 allowance for menopause-related support, so colleagues are able to have more conversations with a clinical expert.

We continue to challenge the stigma around menopause and support all our colleagues to be menopause-aware and informed. Our support proposition continues through training and awareness programmes such as the Menopause Promise to improve day-to-day experience and provide medical support through our Bupa private medical benefit.

Homelessness support

As part of our commitment to the homelessness covenant, helping to end homelessness and Helping Britain Prosper, we launched support for colleagues facing homelessness. This focuses on helping to remove the stigma, with dedicated support and guidance for colleagues and line managers, additional flexibility and paid leave.

Building an inclusive organisation continued

Health and wellbeing continued

Support for our working carers

It is important to us that we care for those who care for others alongside managing work commitments. In 2024, we started collecting data to understand how many of our colleagues have this responsibility and how we can ensure they remain included and supported through:

Peer support call, communities and colleague stories
Ongoing content and events which support colleagues who are working carers, physically, emotionally, financially and practically.

Paid access to the 'Jointly' care coordination app
This handy tool allows colleagues to securely capture and share essential information to support them when delivering care collaboratively with other friends, family members and support agencies.

Parent/Carer Hub
Support for working carers of neurodivergent children and adults. A hub and online community providing colleagues with hints, tips and links to help them to support their loved ones, wherever they are on their journey.

Fertility Friendly Employer

We are proud to be the first UK Bank recognised as a 'Fertility Friendly Employer' by Fertility Matters in 2024. This achievement validates the Group's commitment to supporting colleagues throughout their fertility journey, recognising fertility treatment can have a significant impact on employees in the workplace.

Colleague health and safety

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

In 2024, we have been developing and building our six key safety principles. Our key principles are formed around physical and psychological abuse, the safety of our people, providing a safe working environment, safety in construction, the wellbeing of our people and the protection of the environment. Over the next 18 months, everything we do will have one or more of these principles at the heart of the decision.

Working with partners

Crisis
In 2024, we delivered joint communications for World Mental Health and World Homeless Day in order to raise awareness of the mental health impact of being homeless. The campaign was linked to our charity partnership with Crisis and internally we delivered educational and fundraising-linked activities and externally we shared a message calling for policy makers to act, via our social media channels.

Our Employee Assistance Programme (EAP)
The EAP provides colleagues and their families (dependants and children age 16-23) with free confidential support and advice on a range of issues. It covers topics ranging from emotional support to very practical legal and financial wellbeing. The service is available 24 hours a day, 365 days a year, ensuring that support is always available to our colleagues. On average each month, 560 calls are made, and 303 counselling sessions take place.

Working with Cancer Pledge
At the beginning of 2023 we became a founding signatory of the 'Working with Cancer Pledge' and are very proud to continue activities to improve the workplace experience of people that have been affected by cancer.

Domestic and economic abuse support

We believe employers have a very real role to play in supporting individuals who have experienced and survived, domestic and economic abuse. By raising awareness, acknowledging and responding to the issue, work can be a safe space. We continue to work with specialist charities including Surviving Economic Abuse and Tender, along with Employers' Initiative on Domestic Abuse (EIDA) to shape and improve our support for colleagues.

Providing support to colleagues

We share regular communications to raise awareness, to provide the opportunity for colleagues to ask questions and find out more about the support available. In 2024, alongside our 16 Days of Action Against Domestic Abuse campaign, we worked with EIDA, Tender, Galop and Crisis, to host a series of Group-wide webinars focusing on topics such as young people and domestic abuse, domestic abuse through an LGBTQ+ lens and the intersection between domestic abuse and homelessness. Professional support to specialist charities and support organisations is signposted, including the Bright Sky app.

We have specific guidance for managers on how to support colleagues experiencing domestic and economic abuse. This guidance aims to increase awareness and understanding of the nature and impact of abuse, to help them support colleagues in the workplace and to signpost them to access additional help from appropriate third parties.

Group emergency assistance

Our established Emergency Assistance Programme for colleagues (and their children) covers the cost of one-to-one support and emergency accommodation for 14 nights. During an emergency stay, the colleague can receive additional support to help them with their next steps. We also offer to change their work mobile number to help prevent the perpetrator contacting them.

Sharing our experience

As our support for colleagues who are victim/survivors of abuse has reached maturity, we take our commitment to Helping Britain Prosper very seriously, and are proud to have become the employer member of Manchester Gender Based Violence Board. This is a multi-agency action group accountable for design and delivery of criminal, healthcare, education, policing and employer initiatives to tackle domestic and economic abuse.

For more information about how we support our customers who are experiencing domestic and economic abuse, please see **page 29**.

Colleague learning and development

In 2024, we significantly intensified our focus on developing and expanding our colleagues' critical skills through improved learning and development pathways and platforms.

Skills-based organisation

A skills-based approach to how we learn, develop and operate is core to our business. Every role now has defined skills and proficiency levels, which we will continue to evolve with changes in job architecture, operating models and industry trends. We are also developing skills pathways to facilitate effective, targeted skill development and career planning for our colleagues. As we gain further insight into the range and depth of skills within our organisation, this approach will evolve to support workforce planning.

Learning resources are now skill-aligned, enabling colleagues to self-serve and address development gaps using the enhanced search functionality and academies in Viva Learning. Development discussions are encouraged to focus on skills, providing both line managers and colleagues with clearer expectations for each role. We've also run a number of Career Roadshows to equip for skills growth with a variety of tools and support available, build future understanding on career opportunities and provide networking opportunities.

Over the course of the year, we reviewed our learning function and expanded the role of learning partners to Learning and Skills partners, emphasising our focus on critical skill development. We transitioned from a functional resourcing model to a pooled model within our Change & Design team, allowing flexible resource allocation to address the highest priority activities across the Group.

>200,000

learning courses completed which were promoted by way of the Academy

Reskilling

In 2024, our reskilling initiatives were led by an outcome focus; this approach ensured that our programmes were truly effective and beneficial for colleague development and strengthening the Group's workforce skill base – making reskilling accessible to everyone. We have now successfully reskilled 145 colleagues through personalised internal learning pathways, resulting in moves such as customer advisor to software engineer. We want to support colleague learning and development throughout the lifecycle of their careers, empowering our colleagues to be adaptable in an ever-evolving world, with skills that are transferable and sustainable.

Learning platforms and academies

This year, we have strengthened our strategic collaboration with Microsoft by launching Viva Learning for our colleagues. This integration embeds learning into the Microsoft Teams environment, making it easier for colleagues to identify skill-based learning opportunities, including those aligned with broader Group priorities such as sustainability, where we have launched a new nature training series and modern slavery learning to our colleagues.

Building on the success of our Data & Tech Academy, we have introduced new academies for various job groups including customer care, finance and risk. These academies offer curated pathways to help colleagues develop the core skills needed for their current and future roles. In Q4 2024, academies were accessed over 41,000 times, with more than 200,000 courses completed. We will continue to invest in developing these essential skills in 2025.

In the second half of 2024, we collaborated with Microsoft to enhance its skills offering. We involved 508 colleagues in testing the new functionality for skills and learning recommendations, providing feedback to shape the final solution. In 2025, we will launch Skills in Viva to our colleagues.

Using data and AI to drive skills development

The development of a comprehensive suite of reports has empowered our Learning & Skills partners to offer performance consultancy to our business areas, strategically driving the development of their top five priority skills. We have created an interactive dashboard that allows all line managers to monitor learning consumption against critical skills. This tool enables focused development conversations, ensuring that learning activities add value not only to the business but to our colleagues' development.

In 2024, we began investing in AI to enhance our learning solutions in both design and implementation. We have adopted a product that reduces video production time by up to 80 per cent and introduced a scenario-based practice tool that simulates real-life situations, providing constructive feedback to help colleagues improve their conversational skills. Use of AI and machine learning will be critical in maintaining pace and quality in the delivery of learning and development tools for the Group. Please refer to **page 144** on how the Group uses AI.

Empowering our colleagues with digital skills

In 2024, we joined the Workforce Digital Skills Charter by FutureDotNow to close the digital skills gap in the UK workforce. With nearly 22 million working-age adults lacking essential digital skills, it's crucial for us to equip all our colleagues with these skills to support their work and daily life. Building a digitally capable workforce benefits our customers, colleagues and communities.

Overview
Our Group strategy
Quality and affordable housing
Empowering a prosperous future
Supporting regional development and communities
Building an inclusive organisation
Transition to net zero and protecting nature
Risk management
How we deliver

Early careers

Apprenticeships and T Levels are a key method in supporting social mobility and providing opportunities that are accessible to people from a range of backgrounds. The Group is committed to providing alternative pathways to careers that are skills-based and sustainable.

Apprenticeships

Through our award-winning programmes we have continued to extend and enhance our apprenticeship delivery, currently offering apprenticeships in over 30 occupational roles from Level 2 (GCSE equivalent) to Level 7 (Master's Degree equivalent). We typically have 1,200 colleagues on an apprenticeship at any time and we welcomed 620 new apprentices this year. The programme recruitment also contributes to our focus on diversity with 25 per cent of external hires coming from a Black, Asian or Minority Ethnic heritage and 47 per cent being women. 2024 saw us launch several new apprenticeships including the Corporate Responsibility and Sustainability Practitioner.

620
new apprentices in 2024

50%
of T Level students returned to the Group as apprentices in 2024

43%
of T Level Students are of Black, Asian and Minority Ethnic heritage

T Levels

We have continued to grow our offering to T Level students with 120 completing paid placements in 2024. The placements give the students a head start in their careers enabling them to be work-ready, build relevant skills and grow in confidence. A third of the students came from economically disadvantaged backgrounds and 43 per cent were of Black, Asian or Minority Ethnic heritage. T Levels provide a direct pipeline to an apprenticeship scheme and 29 students from 2023 returned to Lloyds Banking Group to start a higher-level apprenticeship this year.

Work experience programmes

The Group coordinates various work experience programmes for school children to engage with the Group. In the course of 2024, the programme achieved the following:

- **Skillsbuilder** – essential skills sessions to over 8,500 students aged between 6 and 19
- **Work experience** – virtual, hybrid and on campus for students aged 14 years or older totalling 1,490 places
- **Careers fairs, talks and outreach** to a total audience to date of 19,217 students
- **Skillsbuilder Accelerator** – 12,000 students attended

Purpose in action

Rachel: T Level Student of the Year

Rachel was a student that has now started a Level 4 Software Engineering apprenticeship. On her placement she developed a chatbot that could answer questions about neurodiversity. Her commitment to growth was recognised through her winning the Lloyds Banking Group T Level Student of the Year award and to go on to be highly commended in the regional finals of the Apprenticeship and Skills Awards.

"My work placement really helped to boost my confidence because it taught me I can achieve anything I put my mind to, even if it is outside of my comfort zone. I learnt that my voice matters and it is important for me to speak up and give my opinion, even if it means disagreeing."

SDG 4.4
By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

SDG 8.6
By 2020, substantially reduce the proportion of youth not in employment, education or training.

Key

Link to strategy

Change

In this section

Supporting the UK transition to net zero and protecting nature

Supporting the UK transition to net zero and protecting nature Helps Britain Prosper, by building resilience and creating a more sustainable future for the Group, customers and communities.

Promoting sustainable finance and investment

Managing the footprint of our own operations and supply chain

Taking a systems-led approach to considering environmental issues:

- Energy transition
- Greening the built environment
- Low carbon transport
- Sustainable farming and food

For further details on how we are supporting the UK transition to net zero and protecting nature see our website.

Link to strategy

Grow Focus Change

2024 highlights

£9.4bn
financing for EV and plug-in hybrid electric vehicles achieved

£25.9bn
achieved in discretionary investment in climate-aware strategies

£11.4bn
mortgage lending for EPC A and B mortgages since 2022

44 out of 162
suppliers met all our Emerald Standard requirements in 2024

Our environmental strategy

Systems approach

The transition to net zero cannot be addressed by considering sectors in isolation: instead a systems approach is needed to create a comprehensive plan for reducing carbon emissions.

In 2023, we developed a new environmental sustainability strategy taking a systems-led approach to enable cross-Group collaboration, and to support our understanding of the changes and solutions needed to enable the transition to net zero. Considering the transition in this context helps to inform the actions needed to unlock impact and progress, by identifying and prioritising the most material risks, opportunities and dependencies for the Group.

A systems-led approach supports us to consider the synergies and potential trade-offs between areas of the Group, the systems and our purpose pillars. As part of this approach we also consider environmental issues beyond climate such as nature as we recognise the interconnectivity, and we will continue to explore greater integration moving forward.

The Group has identified systems where we believe we can leverage our scale and reach in the market and the financial services and products we offer to support the transition to net zero. The systems engage with where we live through greening the built environment, how we move through low carbon transport, how we farm through a sustainable farming and food system, and the energy we use through an energy transition system.

Our approach aims to support our clients to transition, mitigate risks for the Group and identify opportunities for growth through financing and investment.

We also need to ensure we transition the broader business, including our supply chain, and manage our own impacts, to provide a foundation for our system activity and support progress against our net zero ambitions and targets.

It is recognised globally that the pace of the transition is falling short of what is needed, and more is required from all parties involved. Development of technologies and solutions at the scale and rate needed requires support from government, companies and society, with a strong dependency on a supportive policy environment.

These dependencies can present barriers to achieving a transition that limits warming to 1.5°C in line with the Paris Agreement and impacts our progress against our own ambitions and targets. However, these challenges cannot become a barrier to action.

We will continue to understand and support the needs of our clients and customers to transition through the advice, financial services and products we offer including through our engagement with clients on Credible Transition Plans (see **pages 85 to 87** for further information). As a Group, we will continue to collaborate with government, industry, our customers and wider society to play a role where possible to transition the UK.

Through 2024, we have further developed our system action plans to enhance our understanding and prioritise actions that we can take to support our ambitions. This will be an ongoing activity because of the continually changing external environment and associated dependencies.

Our system action plans and progress against associated Net-Zero Banking Alliance (NZBA) sector targets in each system are at varying stages. This reflects the differing dependencies, complexities and wider external context impacting each system. For more details on our transition plan progress see **page 68**, and for information on the activities we are undertaking for our own operations and supply chain see **pages 69 to 76**.

Considering nature and a just transition

Protecting and restoring nature goes together with supporting the transition to a low carbon economy. We recognise that we have both an impact and a dependency on our natural world and that healthy ecosystems are a critical ally in the fight against climate change.

The Global Biodiversity Framework (GBF) was adopted in 2022 at COP15, and in 2024 COP16 focused on implementation, where a major theme was on mobilising resources and aligning financial flows to meet the goals and targets of the GBF – recognising that financial institutions have a key role to play in halting and reversing nature loss.

In recognition of the declining state of nature, and its relationship with climate change, we have been taking key initial steps as part of our systems approach and in line with the Taskforce on Nature-related Financial Disclosures (TNFD) to better understand and manage our nature-related dependencies, impacts, risks and opportunities. In 2024, we refreshed our nature materiality assessment, using the updated data from Exploring Natural Capital Opportunities Risks and Exposure (ENCORE) released in 2024. Our materiality assessment forms part of the 'Locate' step of the TNFD LEAP approach and has identified which sectors we are lending to, and qualitatively where our potential exposure to nature-related risks may be, based on the impacts and dependencies of our clients' economic activities. We acknowledge potential trade-offs and synergies between climate and nature and aim to fully integrate our approach as part of our strategy over time including as part of our transition planning.

From a transition to net zero perspective, we are continuing to work to understand and support the just transition impacts through our four key strategic systems. There is recognition that the just transition will present in different ways across these systems and at their intersections, and so initial steps have been to build just transition consideration into our associated target setting approach.

We are also driving client and customer transitions through engagement and awareness across divisions (see **pages 85 to 87** for further information on our Credible Transition Plans).

Our emissions reduction ambitions

We have set several ambitions across our own operations, supply chain, lending and investments to support the decarbonisation of our business in line with limiting global warming to 1.5°C.

While we continue to make progress on our ambitions, there are significant challenges and external dependencies in many areas of the economy, including the technologies, solutions and policies required, that will need to be addressed for us to achieve these ambitions. See **pages 69 to 124**.

Globally, we are not moving quickly enough to tackle the climate crisis at the speed we know is required and we will need to do more and collaborate with a wide range of stakeholders to unlock the barriers that stand in our way or we will not achieve our ambitions. The financial ecosystem provides a critical means to accelerate the low carbon transition, by leveraging purposeful engagement with policymakers, regulators, customers, clients and suppliers. Policy advocacy will continue to be a priority, shaped by the experiences of customers and clients in adopting energy efficiency and low carbon technologies. Another priority role is convening stakeholders to share understanding, and test and scale low carbon solutions, at pace.

⊛ Indicator is subject to limited assurance by Deloitte LLP for further details see **page 03**.

Bank financed emissions ⊛

Work with customers, government and the market to help reduce the carbon emissions we finance by more than 50 per cent by 2030 on the path to net zero by 2050[1] or sooner.

For more see → page 77

1 From a 2018 baseline, covering scope 1 and 2 emissions.

Scottish Widows financed emissions

Align all our investments with the goals of the Paris Agreement, reaching net zero carbon emissions by 2050[2] or sooner.

For more see → page 115

2 From a 2019 baseline, covering scope 1 and 2 emissions.

Supply chain ⊛

Working with our suppliers to reduce the emissions generated by 50 per cent by 2030 from our demand for goods and services, on the path to net zero by 2050 or sooner[3].

For more see → page 73

3 From a 2021/22 baseline.

Own operations

In our own operations we will achieve net zero carbon operations by 2030 supported by underlying pledges across our own operations[4].

For more see → page 69

4 All from a 2018/19 baseline.

Progress in reduction of our Group's emissions ($MtCO_2e$)[5]

What this looks like for the Group
The scale of our current emissions varies across different areas of the business.

Bank financed — 2023 $MtCO_2e$: **19.7** — Baseline year[6] $MtCO_2e$: **29.7**

Scottish Widows financed — 2023 $MtCO_2e$: **9.7** — Baseline year[6] $MtCO_2e$: **12.5**

Supply chain[7] — 2023/24 **0.56** $MtCO_2e$ — Baseline year[6] $MtCO_2e$: **0.53**

Own operations — 2023/24 **0.12** $MtCO_2e$ — Baseline year[6] $MtCO_2e$: **0.18**

5 Based on 2023 data available for Bank and Scottish Widows financed emissions scope 1 and 2 emissions only. 2023/24 period end data for supply chain emissions and own operations includes scope 1, 2 and 3 categories and is reported on a market basis.
6 Baseline year determined by ambition (2018 for Bank, 2019 for Scottish Widows, 2021/22 for Supply Chain and 2018/2019 for Own Ops) $MtCO_2e$ – Megatonnes Carbon Dioxide equivalents.
7 Supply Chain emissions are calculated from supplier spend totalling £4.6 billion (net of VAT). In addition there is a further £5.6 billion (including VAT) spread across other business areas.
For details on our methodology please see sustainability metrics basis of reporting 2024 →

We have obtained ISAE 3000 (revised) limited assurance that the selected 2030 ambitions, targets and pledges below, align with the temperature goal of Article 2(1)a of the Paris Agreement which states the objective as "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change":

- Own operations
- Supply chain
- Bank financed emissions
- Bank sector financed emissions (for UK residential mortgages, commercial and residential real estate, agriculture, power, oil and gas, aviation, auto OEM, road passenger transport, retail motor cars and retail motor light commercial vehicles)
- Scottish Widows carbon footprint

The limited assurance includes assessment that the above noted ambitions and targets have been set at a level of emissions or emissions intensity reduction that is equal to or greater than the reduction required using the Paris-aligned scenarios and science-aligned methodologies as described in our sustainability metrics basis of reporting 2024 →

In February 2025, the Climate Change Committee (CCC) is expected to publish advice to government on the level of the Seventh Carbon Budget and emission reductions required to ensure the UK is on the pathway to net zero by 2050. During 2025, we will assess the implications of the CCC's Seventh Carbon Budget for our emission reduction ambitions, particularly for our 2030 ambition to reduce our bank financed emissions and for our bank Net-Zero Banking Alliance (NZBA) sector targets which have been set using the CCC's Sixth Carbon Budget.

We continue to keep the Science-based Targets initiative (SBTi) criteria under review. During 2024, we contributed to the consultation on SBTi's Financial Institution Net-Zero (FINZ) Standard.

Sustainable finance and investment

Our Group sustainable finance and investment

In 2024, we achieved three of our four targets totalling £20.8 billion of sustainable financing for Energy Performance Certificate (EPC) A and B mortgage lending and financing for electric vehicles and plug-in hybrid vehicles for retail customers, as well as achieving our Scottish Widows £25 billion discretionary investment in climate-aware strategies target.

Looking ahead, we've set new three-year targets of £11 billion for EPC A and B mortgages and £10 billion for electric vehicles from 2025 to 2027. This brings the total amount we have committed since 2022 to £84 billion across the Bank and up to £25 billion of investments in climate-aware strategies for our Scottish Widows business.

We have established sustainable finance and investment targets aligned to our core business areas. Our financing and investment target horizons align to the Group's strategic and performance management timelines that will continue to build up to support our 2030 ambitions and beyond to 2050. Sustainable finance and investment is a key mechanism that can be used to support the transition and reduce emissions, however, global coordinated action is needed across financial service providers, corporates, government agencies and regulators to deliver against our net zero transition ambitions and targets.

Our Sustainable Financing Framework → has continued to evolve to provide greater clarity on what the Group considers to be eligible types of sustainable finance covering the Group's Retail lending and Commercial Banking lending. Sustainable finance and investment targets continue to be part of our LTIP assessment as set out on **page 140**.

Our Sustainable finance and investment targets

Commercial Banking

£30 billion sustainable finance[1] for Commercial Banking[2] customers from 1 January 2024 to end of 2026

2024 | We are here | 2026 target

£10.7bn

Progress (£bn lending) | £30bn target

Total

£10.7bn ⊛

A breakdown of our sustainable lending is shown below:

Type (£bn)	2024
Bonds	3.7
Lending – use of proceeds	2.0
Sustainable Business Financing	1.5
Sustainability-linked loans	3.5
Total	**10.7**

Since 2022 cumulative Commercial Banking sustainable finance is

£26.5bn

For annual breakdown see the sustainability metrics datasheet 2024 →

Motor

£8 billion financing for EV and plug-in hybrid electric vehicles by 2024[3]

2022 | 2024 target | We are here

£9.4bn

Progress (£bn lending) | £8bn target

Total

£9.4bn ⊛

Mortgages

£10 billion of mortgage lending for EPC A and B rated properties by 2024[4]

2022 | 2024 target | We are here

£11.4bn

Progress (£bn lending) | £10bn target

Total

£11.4bn ⊛

Scottish Widows

£20–£25 billion discretionary investment in climate-aware[5] strategies by 2025

2020 | We are here

£25.9bn

Progress (£bn investment) | £20–25bn target

Total

£25.9bn ⊛

⊛ Indicator is subject to limited assurance by Deloitte LLP for further details see **page 03**.
1 As defined within the Sustainable Financing Framework.
2 Commercial Banking target relates to both Corporate and Institutional Banking customers and Business and Commercial Banking customers.
3 Includes new lending advances for Black Horse and operating leases for Lex Autolease (gross) and operating leases for Tusker (gross, post-acquisition by the Group in February 2023 only); includes cars and vans. £3.7 billion achieved in 2024.
4 New mortgage lending on UK (excluding Channel Islands) residential property that meets an EPC rating of B or higher. The target includes remortgages but excludes further advances. £11.4 billion covers the period from January 2022 to September 2024. £3.1 billion was achieved from 1 January 2024 to 30 September 2024.
5 This refers to funds that have a focus on investment in companies that are either adapting their business to reduce carbon emissions or developing solutions to address climate change.
Please see the sustainability metrics basis of reporting 2024 which is available in our sustainability downloads →

Supporting nature

We recognise that our business impacts and depends on nature, and that supporting nature's recovery is essential in climate change mitigation and adaptation.

Healthy ecosystems are more resilient to climate change and support climate regulation, which is critical to transitioning the UK to a low carbon economy and Helping Britain Prosper.

As we continue our journey to embed our Nature Approach, we have focused on the following key activities:

Capitalising on nature-related opportunities

Across the Group we recognise the importance of nature-related opportunities and have started on a journey to educate ourselves and bring our clients on the journey with us. An important part of this is our partnerships where we collaborate and learn from those working directly with nature such as the Soil Association (**pages 78, 112 to 114**), the Woodland Trust → and our support for Projects for Nature (**page 46**). We have also produced a report → and film → with input from the Royal Society for the Protection of Birds (RSPB) showcasing nature-based solutions in action across the UK, and the raft of positive outcomes these can bring for nature, climate and people.

As one of the biggest banks for UK farmers, we understand that our clients can play a key role in engaging in nature markets, and we have been exploring how we can best support our clients' lending needs. Our developer and homebuilding clients are impacted by Biodiversity Net Gain (BNG), which came into effect from February 2024, and we anticipate seeing growing demand for support in this area. For more information on how we are exploring opportunities associated with nature markets, including the Voluntary Carbon Markets (VCM), see **page 88**.

Managing nature-related risks

We refreshed our nature materiality assessment, using the updated data from ENCORE released in 2024. Our materiality assessment forms part of the 'Locate' step of the TNFD LEAP approach. In addition, we have taken initial steps to integrate nature in our ESG credit risk process throughout 2024. Further information on our approach to managing nature-related risks can be found on **page 128**. In line with the core disclosure metric for financial institutions according to TNFD recommendations, we have also mapped our lending activities to TNFD Priority Sectors, which are those sectors considered to have material nature-related dependencies and impacts (see **pages 79 to 80**).

Our approach to governance and risk management of nature-related issues is further covered in the annual report and accounts 2024 → on pages 50 and 88.

Embedding the consideration of nature in all that we do

Building on the foundations of our all-colleague sustainability training refresh in 2023, we launched a new nature training series to our colleagues during 2024 – for further information see **page 142**. We have made progress on our Operational Pledge for Nature and continue to enhance biodiversity across our key operational sites for the benefit of people and the natural environment. For further information, see **page 72**.

Our use of carbon credits

Carbon credits, if used responsibly, can be an important tool in combatting climate change and can support the financing of climate-resilient development.

It is important that carbon credits are deployed as part of science-aligned decarbonisation strategies and are not used as an alternative for abatement. Credits can be used to mitigate remaining residual emissions and can also support mitigation activities beyond a business' value chain. These activities can help support the transition at the pace and scale required, including associated environmental and social benefits.

Our strategy remains focused on reducing emissions before considering the use of carbon credits. To provide clarity and transparency on our approach to carbon offsetting, we have set out a series of nine principles that the Group will seek to follow. We recognise that this is a fast-evolving market, so will revisit them regularly to consider the latest developments and guidance and update them if we deem that there is a material change needed. We have also obtained a second-party opinion for our principles from ERM CVS. You can read more about our Group offsetting principles and second-party opinion in our sustainability downloads →

Group use of carbon credits

Financed emissions ambition: We do not currently plan to use carbon credits to offset our financed emissions, but we will monitor and seek to contribute to emerging industry standards in this area as they develop.

Own operations ambition: We will use carbon credits to offset residual emissions from our operations for 2030 and beyond.

Supply chain: We do not currently plan to use carbon credits to offset our supply chain emissions, recognising that we are still in the early stages of our supplier engagement activity. We will continue to evolve and adapt our approach as we learn through our supplier engagement.

Beyond value chain: We may seek to use carbon credits for mitigation beyond our value chain for propositions, customer benefit or for relevant projects that support wider action.

As the VCMs scale up over the coming years, it is likely that parts of the Group may interact with the market. This will include engaging with our clients and suppliers to encourage them to develop their own net zero plans, which may involve them using carbon credits for offsetting residual emissions for some of their activity, where applicable and in line with science. See **page 88**.

2024 carbon credit use

Within the Group, carbon credits have been purchased and retired to compensate for emissions associated with our Tusker and GmbH businesses. Tusker was acquired by Lloyds Banking Group in February 2023 and compensates for some of the tailpipe emissions of all salary sacrifice cars on their schemes, the charging requirements from the grid for electric vehicles and their operational emissions. Our GmbH business compensates for some of the operational emissions for its German and Dutch operations.

Any Tusker and GmbH use of carbon credits is excluded from our Group reported emissions and considered Beyond Value Chain Mitigation (BVCM). The details of carbon credits retired in 2024 are located in the sustainability metrics datasheet 2024 →

Our progress to net zero

We recognise that ambition alone won't support the transition or deliver on our purpose of Helping Britain Prosper. We need a plan to deliver on our strategy and how we will measure progress in doing so.

Our 2024 Group climate transition plan sets out the steps we'll take to reduce emissions to net zero for our operations, supply chain and Bank financed emissions as part of our strategy. Our transition plan is governed under the same structure and financial planning process as our wider environmental sustainability strategy.

We know that as much as we can achieve through our own activity, we cannot achieve our ambitions alone. Transitioning to net zero is a universal endeavour and will depend on key players collaborating such as government, industry and wider society acting together to deliver net zero, alongside significant technology advancements in high-emitting sectors.

See **pages 69 to 124**.

The path to net zero

2021

- No new direct financing of new greenfield oil and gas developments approved post 2021
- Maintain travel emissions below 50 per cent of pre-pandemic levels

2022

- Launched sustainable finance lending targets
- First round of Net-Zero Banking Alliance sector targets published covering seven sectors
- Supply chain net zero ambition published

2023

- Exited direct lending to UK thermal coal power by end of 2023
- Announced two updated operational pledges
- Achieved Commercial Banking £15 billion sustainable financing target

2024

- Launched new 2026 sustainable financing target for Commercial Banking
- Achieved £8 billion motor financing by 2024 and £10 billion mortgage lending for EPC A and B rated properties by 2024
- Achieved £25 billion Scottish Widows investment in climate-aware strategies
- Published agriculture, commercial and residential real estate (C&RRE) and road passenger transport targets
- 50 per cent of new developments by Lloyds Living[1] report to NextGeneration[2]
- Determine Lloyds Living emissions baseline and reporting approach

2025+[3]

- Scottish Widows will publish an updated Climate Action Plan in 2025
- £30 billion sustainable financing target for Commercial Banking by 2026
- Launched £10 billion retail motor financing target and £11 billion EPC A and B rated properties target by 2027

2030

- 50 per cent reduction in bank financed emissions
- Scottish Widows half carbon footprint of all investments
- Full exit from all entities operating thermal coal facilities
- Net-Zero Banking Alliance 2030 sector targets
- 50 per cent reduction in supply chain emissions
- Net zero own operations
- 50 per cent reduction in operational energy use
- Zero waste by 2030
- Water neutral by 2030

2050

Net zero

by 2050 or sooner

1 Refer to **page 102** for further detail on Lloyds Living.
2 We have reviewed and refined the presentation of our 2024 pledge. Refer to **page 102** for further details.
3 All items are for 2025 unless stated for alternative years.

Own operations

Reducing the carbon footprint of our own operations is a key part of our sustainability strategy.

We have an ambition to achieve net zero across our own operations by 2030, based on our 2018/19 baseline[3]. The delivery of our ambition is supported by five pledges[3]:

- Reduce our direct carbon emissions by at least 90 per cent by 2030 ⊛
- Reduce total energy consumption across our operations by 50 per cent by 2030
- Maintain travel-related carbon emissions below 50 per cent of 2018/2019 baseline[1]
- Zero waste by 2030 (includes our legacy waste reduction pledge[2])
- Water neutrality by 2030

⊛ Indicator is subject to limited assurance by Deloitte LLP for further details see **page 03**.

1 From 2023/24 our travel-related carbon emissions pledge considers domestic travel only.
2 Reduce operational waste by 80 per cent by 2025 from a 2014/2015 baseline.
3 Our ambition and pledge progress reporting excludes emissions from Lloyds Living.

Our actions

While we continue to make strong progress against our ambition and supporting pledges, we recognise that we will need to keep investing in our buildings, as well as supporting colleagues in the transition towards a greener future.

In 2025, we will continue to deploy energy efficient technology including LED lighting and improved building controls. We will remain focused on removing all use of natural gas from our estate, replacing gas boilers with low carbon heating technologies and creating more sustainable branches in communities across the UK. We will keep investing in sustainable and active travel facilities across our buildings whilst building upon our initial scoping actions for our waste and water pledges to maintain the momentum of a productive inception year.

We remain a committed member of the World Green Building Council Net Zero Carbon Buildings Commitment, and the Climate Group's campaigns on renewable electricity (RE100), energy productivity (EP100) and electric vehicles (EV100).

Our operating model has evolved since setting our travel pledge in 2021. With the Group drawing more select skills from the global market, we have therefore had to reassess our existing travel pledge commitment. The operating model evolution has impacted our carbon emissions through a need for increased international travel by our colleagues. From reporting year 2023/24, we have revised the elements reported within our travel pledge to focus on domestic travel only aligned with our action plans. This includes domestic commuting, business travel and company vehicles. A breakdown of our travel-related carbon emissions by domestic and international travel is included in the sustainability metrics datasheet 2024 available in our sustainability downloads →

Moving forward, we will continue to actively promote sustainable travel options and monitor international travel emissions. We commit to putting controls in place to minimise international emissions to an essential level.

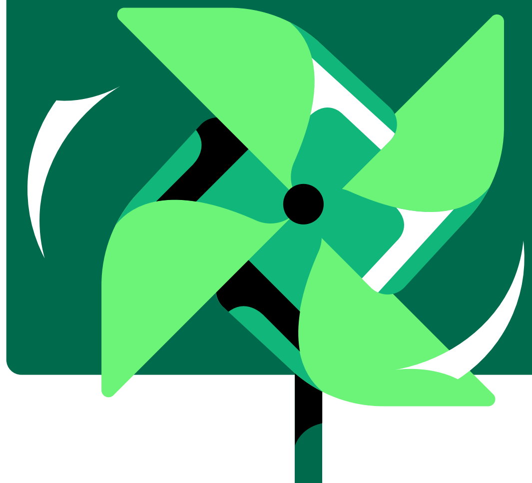
Operational ambition and climate pledges progress

Our operational ambition

Net zero carbon operations by 2030[1,7]

52.8%
reduction from a 2018/2019 baseline

Further details of our Streamlined Energy and Carbon Reporting (SECR) reporting can be found in our annual report and accounts 2024 → and our sustainability metrics datasheet 2024 →



Progress on our pledges

Reduce our direct carbon emissions by at least 90 per cent by 2030[2,7]

Based on scope 1 and 2 emissions only

52.8% reduction

2030 target | We are here

Progress (% reduction)	
52.8%	2024
49.5%	2023

2018/2019 baseline

Energy consumption[3,7]

Reduce total energy consumption by 50 per cent by 2030 from a 2018/2019 baseline

42.3% reduction

2030 target | We are here

Progress (% reduction)	
42.3%	2024
37.3%	2023

2018/2019 baseline

Travel emissions[4,7]

Maintain travel-related carbon emissions below 50 per cent of 2018/19 baseline

51.3% reduction

We are here | 2030 target

Progress (% reduction)	
51.3%	2024
53.8%	2023

2018/2019 baseline

Waste reduction[5,7]

Reduce operational waste by 80 per cent by 2025 from a 2014/2015 baseline

74.5% reduction

2025 target | We are here

Progress (% reduction)	
74.5%	2024
74.7%	2023

2014/2015 baseline

Water neutrality by 2030[6,7]

Water neutrality from our own operations from a 2018/2019 baseline

45.1% reduction

2030 target | We are here

Progress (% reduction)	
45.1%	2024
38.7%	2023

2018/2019 baseline

1 The methodology to derive reported scope 1, 2 and 3 emissions are provided in the sustainability metrics basis of reporting 2024. Emissions reduction is shown for the period 1 October 2023 to 30 September 2024.
2 Includes scope 1 and 2 emissions, market-based approach for electricity scope 2.
3 Includes electricity, gas and fuel usage across our full operational estate and excludes fleet vehicles.
4 Includes UK business travel (covering flights, car journeys, hotel stays, taxis, buses and underground/overground rail trips), and employee commuting, company cars and mobile branches with well to tank (WTT). Includes restated flights and rail emissions performance to reflect improving data coverage. From 2023/24, our travel-related carbon emissions pledge considers domestic travel only.
5 Includes general waste, plastics, mixed recycling, food waste and confidential paper, as well as lower-volume waste such as glass and wood.
6 Water neutrality across our buildings, reducing our water consumption as much as possible, and offsetting the residual volume. Includes water consumption across our full operational estate.
7 Our ambition and pledge progress reporting excludes emissions from Lloyds Living.

Transition to net zero and protecting nature continued

Own operations continued

Implementation strategy

Our operational climate pledges support our ambition to achieve net zero operations by 2030. This section outlines our key achievements in 2024, as well as future activities.

Our actions

Pledge	Reduce our direct carbon emissions by 90 per cent by 2030	Reduce total energy consumption by 50 per cent by 2030	Maintain travel-related carbon emissions below 50 per cent of 2018/19 baseline[1]	Zero waste by 2030 (includes our legacy waste reduction pledge[2])	Water neutrality by 2030
Achieved in 2024	We have removed the gas from the heating systems of five branches, meaning we can utilise the carbon free electricity we purchase through power purchase agreements (PPAs). To strengthen our commitment to the procurement of 100 per cent renewable electricity, we signed a three-year corporate PPA to complement our longer term PPA agreed in the previous year. This short-term agreement will cover around 25 per cent of our electricity requirement and provides direct line of sight from the electricity produced from two onshore windfarms to our buildings. Guided by our 360 framework, our Manchester office refurbishment and our Leeds relocation focused on delivering net zero carbon operations via fully electric and heat pump solutions.	We have taken further action to reduce our building energy consumption. In 2024, we completed 60 LED installations across our branch network, bringing our total LED installations to over 350 branches. We have completed either full or partial LED installations across 22 offices within our portfolio. In 2024 we added another 49 properties to our connected branches programme. This provides a remote monitoring solution which enables us to utilise the building management technology to ensure our building Heating, ventilation and cooling (HVAC) is performing as required. To ensure our buildings retain as much heat as possible through minimisation of air leakage, we have utilised a technology called Quattro Seal. In 2024, we have installed this solution in 88 branches. We have continued with energy optimisation across the estate. For example, we have optimised power usage, leveraged technology and implemented innovative solutions to reduce consumption in our data centres. Alongside safely decommissioning our older, less efficient data centres, we are building a new highly energy efficient one.	We have maintained high momentum on our travel commitment throughout the year. Across our estate, we now offer electric vehicle (EV) charging to our colleagues at 37 of our sites. Across our entire portfolio, we now have 303 EV charging points. We have also completed active travel enhancements at 63 sites. In conjunction with Cycling UK, we have undertaken a commuter cycling behavioural change pilot at two sites and we have completed bike servicing at four hub offices. Our lift sharing platform offered to all UK colleagues has over 3,150 journeys authenticated with dedicated parking offered at four sites. We have improved data granularity and enhanced business travel data reports. We have set up forums to support travel emission reduction strategies, encourage further behavioural change with a rail-first approach for the UK, and put in place guard rails for international travel. To complement this work, we have completed a number of in-person sustainable travel roadshows across our estate to support colleagues to make sustainable travel choices.	We have completed a number of initiatives in support of our zero waste pledge. At Chester Cawley House, we implemented a rocket composter, which can utilise 100kg of food and garden waste per day, with the compost produced being used in the site grounds. We selected our Bristol Harbourside office to be the pilot location for a number of test and learn initiatives. We have installed new recycling stations to assist colleagues in making the right choices when disposing of their waste and we've replaced plastic milk bottles with dispensers. We implemented a technology solution called Trackersack which provides accurate information on the weight of waste across each of the waste streams as well as contamination levels. To ensure we consider circularity, we have taken action to make sure items which still have a use can be redistributed across our estate. This year, we have reused 7,024 items of furniture saving 640,497kg of carbon. Items which are still in good working order, but are no longer required, are donated whenever possible. This year, we have donated 217 items with an estimated value of £23,224. We have engaged with our key technology waste partners to discuss reporting requirements and their processes for management of technology waste.	We have taken the initial year to understand our water consumption data. Working with partner organisations such as our water supplier and facilities management companies, we have taken steps to enhance the accuracy of our consumption data through a Long Term No Read rectification programme. This will bring our site meter reads up to date to ensure that the information we receive from the water supplier is accurate and useful. We have reviewed and assessed our trade effluent agreement to ensure it is accurate, up to date and reflects the water removal strategy at our Halifax Trinity Road site. We have reviewed our automated meter reading provision across the portfolio and have taken action to move a selection of these meters to more suitable locations. We instigated seven building audits within the Severn Trent water wholesale area. These audits highlighted that we are using water in an effective and efficient way, allowing us to use this data as part of our data validation and benchmarking exercise.
Forward look	Over the medium term, we will continue to focus on the removal of gas from the heating systems of our properties. In conjunction with this, we will continue to consider any building fabric enhancements which are available and appropriate to be installed. We aim to enhance our portfolio of renewable energy supply, with a focus on solar installations where appropriate. We will continue to purchase renewable electricity through direct PPAs. Where this is not possible, we will utilise the renewable energy certificate market as an alternative.	We will continue to invest in our LED and HVAC programmes and will combine these with new technological solutions where appropriate. We will continue to work with other organisations through our innovation programme to test new technologies and technical solutions to reduce the carbon impact of our buildings. We will continue our investment in the deep refurbishment of our office estate which will include, where appropriate, fabric upgrades, heat pump installations and upgraded building controls.	We will continue enhanced travel reporting and engagement to ensure our business units prioritise sustainable travel. We will continue supporting our colleagues to adopt sustainable commuting habits, for example, with bike servicing at key hubs and EV roadshows. We will continue to improve sustainable travel facilities across our estate. We will investigate technology/app offerings such as gamification and rewards for sustainable travel.	We will increase the number of new recycling stations and coverage of the Trackersack solution so we can accurately measure changes in recycling volumes and contamination levels. We will scale up the delivery of milk dispensers to significantly reduce the number of plastic milk bottles coming onto our estate. We will select sites to achieve the TRUE waste certification, highlighting our dedication to ensuring that our waste is used for another purpose where possible. We will continue to work with our key technology waste partners to enable reporting of our specific waste treatment and recycling rates.	We will ensure that water efficient equipment is included within the design of our office and branch refurbishments, tackling taps, showers and toilets to drive down water consumption. We will scale up our automatic meter reading across the portfolio to drive change through increased accuracy of data. We will increase focus on the development of a water offsetting strategy, including guidance for its implementation.

1 From 2023/24 our travel-related carbon emissions pledge considers domestic travel only.
2 Reduce operational waste by 80 per cent by 2025 from a 2014/2015 baseline.

SDG 13.3
Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

SDG 15
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Key

Link to strategy

Focus

Purpose in action

Update on how we are bringing nature closer to our people and places

In 2023, we launched our 10-year biodiversity enhancement management plans across seven of our key operational sites.

These plans help us to provide more sustainable habitats and to bring nature closer to our people and places. We are taking action to encourage larger areas of wildflower meadows and planting more UK native trees and hedges. We also aim to extend the feeding season for pollinators at our sites by planting diverse UK native spring bulbs and creating more pollinator-friendly planting beds.

Our actions also include continued enhancements to our pond habitats at our Cawley House building in Chester to help support an important local population of great crested newts.

Colleague engagement is a vital aspect of our operational nature strategy, so this year we continued to offer engaging opportunities for colleagues to get involved and learn more about nature.

Our series of lunch and learn sessions in collaboration with leading UK nature charities covered many key topics in nature recovery, and our two new colleague allotments offered colleagues a chance to participate in wildlife-friendly gardening while at work.

We have also completed two further nature-focused outdoor colleague collaboration spaces. These seating areas have been designed around UK native trees, hedges and plants, and provide both natural outdoor spaces for colleagues to meet and collaborate, while also offering vital stepping-stone habitats and sources of food for local wildlife. Colleagues can also learn more about the importance of nature at 12 office sites where we have installed nature-interpretive signage.

In the coming years, we will continue to measure and monitor our progress and enhance biodiversity across our key operational sites for the benefit of colleagues and the natural environment. This includes undertaking a LEAP[1] assessment at key sites within our direct operations to understand our operational impacts and identify opportunities to support nature.

Our nature enhancement activities will take place at our urban spaces and larger operational green spaces, where we will strive to boost biodiversity units[2] and improve ecosystem health and ecological functions. We will also continue to engage colleagues through delivery of nature-positive spaces, events, hands-on volunteering opportunities and nature training.

> **“We are continuing to enhance our pond habitats at our Cawley House building in Chester to help support a local population of great crested newts.”**

1 This is a framework for identifying and assessing nature-related risks and opportunities. It was developed by the Taskforce for Nature-related Financial Disclosures.
2 Biodiversity units explained and measured following the UK government guidance →

Supply chain

Reducing the emissions we generate through our demand for supplier goods and services is an integral part of our net zero transition plan.

2024 highlights

561 $ktCO_2e$

2023/24 carbon emissions[1]

121 $tCO_2e/£m$

2023/24 carbon intensity[1]

162

key suppliers assessed against our Emerald Standard representing more than 80 per cent of our supply chain spend and emissions

EMERALD STANDARD SUPPLIER

1 Refer to **page 74** for further details.

Our ambition

We have an ambition to reduce our supply chain emissions by 50 per cent by 2030, from a 2021/2022 baseline, on a path to net zero by 2050.

Our actions

Focus remains on directly engaging suppliers who make the biggest contribution to our supply chain emissions, driving alignment with our Emerald Standard. Overall, in 2024 we have seen further supplier progress towards meeting our standard, greater transparency of their plans and an improving trend towards suppliers allocating emissions to the Group for the goods and services supplied.

Whilst absolute emissions have reduced compared to our 2022/2023 reporting period, they are five per cent higher than our 2021/2022 baseline year primarily driven by a 15 per cent increase in supplier spend as we grow and invest in our business. Encouragingly, the carbon intensity of every pound we spend continues to reduce, reflecting the transition journey our suppliers are on and the benefits of our supplier engagement programme.

We recognise the significant challenges we face in meeting our ambition given the indirect nature of supply chain emissions, the drive to grow our business, the need for new technologies (including the use of AI) and policies to support achievement of it. We are committed to managing our demand for goods and services sustainably and working collaboratively with key suppliers with a view to achieving net zero.

Transition to net zero and protecting nature continued

Supply chain continued

Our supply chain emissions

In October 2024, Comprehensive Environmental Data Archive (CEDA) published updated carbon factors for the year 2022 and in line with the Greenhouse Gas (GHG) Protocol, we took the decision to apply these retrospectively to our prior disclosures which include our baseline year (October 2021 to September 2022). We believe it is important to provide the most accurate view of our emissions based on available data. As a result, our restated emissions are lower compared to those previously disclosed for our baseline year and baseline year +1.

For the latest reporting period, October 2023 to September 2024, emissions are calculated from supplier spend totalling £4.6 billion (net of VAT). This represents a 15 per cent increase in supplier spend compared to our baseline year. Emissions have also risen but at a lower rate of five per cent over the same period, illustrated by a reduction in our emissions intensity from 132tCO_2e/£m to 121tCO_2e/£m.

An additional factor influencing the 5 per cent increase in emissions is a change in our supplier spend composition. Scope 3 category 2 (capital goods) emissions have increased by 125 per cent due to a 151 per cent growth in this expenditure compared to our baseline position, whilst both category 1 emissions (purchased goods and services) and category 2 emissions (upstream transportation & distribution) have decreased by 6 per cent.

This reflects the Group's investment in our new data centre and capital expenditure to maintain/transform our office and branch network. The calculation of our category 2 emissions relies predominantly on CEDA factors and these activities are more carbon intensive. We continue to work with the relevant suppliers to understand their ability to more accurately calculate and report emissions associated with the Group's spend and more broadly, progress towards meeting our Emerald Standard.

As part of our supplier engagement activities, we continue to encourage our key suppliers to disclose their full scope of material emissions via CDP and where possible allocate them to the products and services they deliver to the Group. Since we started reporting, supplier allocated emissions have more than tripled with 17 per cent of our emissions representing 39 per cent of spend calculated using supplier allocated data. Obtaining supplier-specific data is crucial for us to improve the accuracy of our disclosure and to capture supplier emissions reductions over time.

Our latest reported emissions have been subject to limited assurance. To maintain confidence in our restated baseline year emissions, these have also been subject to limited assurance.

39%

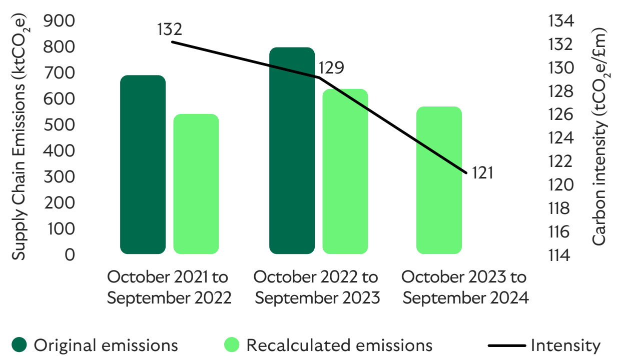
of spend with associated emissions allocated by suppliers

Since our last disclosure, we have also investigated the emissions associated with the supply chains supporting our Lex Autolease, Tusker and Lloyds Living businesses. Their supply chain emissions arise predominately from the purchase of vehicles and property. Further work is required to refine the methods and estimates used to calculate the associated emissions before we can disclose them.

Importantly, we also need to better understand and develop our response to mitigate and reduce the carbon impacts from this spend over the near and long term.

Overall, we estimate there is a further c.£5.6 billion (including VAT) of spend which is currently not captured or disclosed in our reporting. Lex Autolease, Tusker and Lloyds Living third-party spend represents c.94 per cent of the c.£5.6 billion[1].

Supply chain emissions (ktCO_2e) & carbon intensity (tCO_2e/£m)



Scope 3 supply chain emissions (tCO_2e)

Scope 3 supply chain emissions by GHG protocol category	Baseline year + 2 2023/24	Baseline year + 1 2022/23	Baseline year 2021/22
Category 1 – purchased goods and services (including category 8 upstream leased assets)	**404,247**	504,873	428,160
Category 2 – capital goods	**100,065**	55,998	44,466
Category 4 – upstream transportation and distribution	**56,194**	66,404	59,543
Total	**560,506** ⊛	627,275	532,168[2] ⊛

2 Difference in total due to rounding.
⊛ Indicator is subject to limited assurance by Deloitte LLP for further details see **page 03**.

Carbon Data used in emissions calculations

Calculation approach: selection of data sets	**Baseline year + 2 2023/24** Spend %	Emissions %	Emissions (tCO_2e)	Baseline year + 1 2022/23 Spend %	Emissions %	Emissions (tCO_2e)	Baseline year 2021/22 Spend %	Emissions %	Emissions (tCO_2e)
Increase in accuracy ↑ CDP Supplier Allocated	39%	17%	**96,868**	17%	4%	**24,978**	16%	5%	**24,979**
CDP Apportioned	18%	18%	**100,981**	28%	24%	**150,888**	33%	29%	**153,535**
CEDA	43%	65%	**362,657**	55%	72%	**451,409**	51%	66%	**353,654**
	100%	100%	**560,506**	100%	100%	**627,275**	100%	100%	**532,168**

More details on this methodology, our assumptions and selected data sets are provided in the sustainability metrics basis of reporting 2024 available in our sustainability downloads →

1 This spend is before any filtering or alignment to the GHG protocol categories.

Transition to net zero and protecting nature continued

Supply chain continued

Our Emerald Standard requirements

Our Emerald Standard is the Group's supplier sustainability standard. To meet the Emerald Standard requirements our suppliers should achieve the following:

01

GHG emissions calculation and disclosure

- A public CDP Climate Change response
- Achieve at least a B score
- Disclosure of scope 1 emissions
- Disclosure of scope 2 emissions
- Disclosure of material scope 3 emissions

02

Net zero commitment

- A public ambition to achieve net zero
- A target year of 2050 or sooner, with interim targets for 2030, or sooner
- A net zero target that covers scope 1, 2 and material scope 3 emissions

03

Science-aligned emission reduction target

- Publicly available science-aligned target
- Targets are aligned to 1.5°C pathway
- Targets cover scope 1, 2 and material scope 3 emissions

04

ESG scorecard

- An up-to-date EcoVadis scorecard
- Achieve an overall score of 59 or more

Annual assessment of key suppliers

44 out of 162 suppliers met all the requirements of our Emerald Standard in 2024

EMERALD STANDARD SUPPLIER

How our suppliers perform against our Emerald Standard requirements

	2024	2023	Trend
Suppliers meeting all requirements of Emerald Standard	**44**	**36**	↑
1. GHG emissions calculation and disclosure	61	58	↑
2. Net zero commitment	77	64	↑
3. Science-aligned emission reduction target	83	68	↑
4. ESG scorecard	96	82	↑

1 The above numbers are reported on an absolute basis, given annual changes to the in-scope supplier population (supplier exits, legal entity changes, scope increase to ensure 80% spend/emissions coverage).

Engagement strategy

In 2024, we expanded the rollout of our Emerald Standard, engaging with 162 suppliers. These suppliers represent more than 80 per cent of our supply chain in-scope spend and emissions based on the prior year's reporting (October 2022 – September 2023).

We completed an annual review of our Emerald Standard which resulted in some minor revisions:

- Providing a supplier can submit publicly disclosed emissions data to us directly for their latest reporting period in line with our specified scope and boundaries, we will accept a CDP disclosure/rating on a two-yearly basis (rather than annual)
- Following changes to EcoVadis' criteria for awarding medals, we ask suppliers to achieve an overall score of 59 or more, rather than the previous silver rating

Transition to net zero and protecting nature continued

Supply chain continued

In July 2024, we held our first face-to-face Supplier Sustainability Summit in London. From roundtables to fireside chats, the objective was to share insights, inspire change and facilitate thought-provoking conversations to help tackle climate change and accelerate the transition to net zero.

Over 225 attendees joined us on the day with over half choosing to attend additional roundtable sessions covering topics from green skills to the role of technology in sustainability. Our suppliers had the opportunity to engage directly with experts from the Group's Green Finance team, EcoVadis, CDP and wider sustainability subject matter experts and to hear from industry specialists on emerging legislation and topics such as nature. We were joined by inspirational individuals that had successfully driven sustainability change providing delegates with tangible ideas for consideration in their own organisations.

Overall, we have seen further positive movement from our suppliers both in attainment of, and progress towards, meeting our Emerald Standard. In Q4 2024 we carried out a final validation of our key suppliers' progress towards meeting our standard based on their 2024 CDP disclosure and latest EcoVadis scorecards. We are pleased to report that 44 suppliers were assessed as fully meeting our requirements. At that time, CDP had not published its latest ratings and therefore our assessment was based on our suppliers' 2023 CDP score.

Continuous improvement

We continue to explore opportunities to improve how we address sustainability in our sourcing and supplier management processes.

We have simplified the ESG questions we ask as part of our supplier Request for Proposal activity and implemented internal changes that will allow us to collate better data about our wider managed supplier population through our Financial Services Supplier Qualification System (FSQS) process (see **page 145**). These changes will help us to understand which of our c.1,050 managed suppliers are aligned to our net zero ambition.

> **The Supplier Sustainability Summit was informative, imaginative, focused and disciplined. Overall, a balanced agenda throughout the day with the opportunity to interact with a variety of vendors. Left feeling motivated to focus on areas we can update, improve and change to help us maintain the proactive mode we have towards sustainability.**
>
> **A key takeaway was how we can make small correctives to stay in line with Lloyds Banking Group and the Emerald Standard."**

Graeme Nicholas
Royce Communications

Protecting nature

Looking ahead, we recognise the increasing regulatory and societal interest in nature and the need to identify where our supply chain has a direct impact and/or dependency on it. Understanding where material nature risks exist within our supply chain is important and in 2024 we have completed a high-level materiality assessment which will inform our 2025 plans.

Purpose in action

Inspiring supplier action

Zellis provides payroll services to the Group. In 2022 Zellis introduced its Group ESG framework focused on key pillars where Zellis can make the largest difference including an ambition to be operationally net carbon zero by 2027.

> **The Emerald Standard approach allowed us to learn from an organisation much further along its sustainability journey. It inspired us to think beyond the minimum requirements. And the standards and metrics helped us to prioritise our own efforts and to evidence the commercial and strategic importance of ESG to our own colleagues.**
>
> **It also started us thinking about our own supply chain and how to collaborate with our suppliers to track and manage their impact. We are starting to gain real momentum and have the foundations to build on progress and achieve our 2027 ambitions. We are also looking beyond 2027 with the ambitious target to become net zero across all scopes by 2040.**
>
> **As part of this we will look to retain our Emerald Standard status by continuing collaboration with the Group to meet any evolving criteria and to learn from an organisation that we see as a real thought leader in sustainability. We feel that it has helped to build a stronger relationship and appreciate the opportunity to work together as true partners with a common goal."**

Bella Jones
Head of Sustainability and Impact at Zellis Group

SDG 12.6
Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Link to strategy

Focus

Banking activities

In this section

As part of our overall ambition to reach net zero by 2050 or sooner, we set ourselves the ambition to work with customers, government and the market to help reduce the carbon emissions we finance by more than 50 per cent by 2030.

Our priority is to be a constructive partner in the transition that supports our clients throughout their own transition journeys.

Unless otherwise stated, disclosures in this section from **pages 77 to 114** are not applicable to our Scottish Widows' assets and liabilities. See **pages 115 to 124** for Scottish Widows disclosures.

2024 highlights

Our bank lending activity comprises the largest share of our Group financed emissions and is a key area of focus for us supporting the transition to a low carbon economy.

96%

proportion of Bank assets in-scope of PCAF[1] which have emissions calculated

1 Partnership for Carbon Accounting Financials.

Engagement strategy

We continue to partner with businesses, industry groups and other organisations as they increase their own capabilities and skills. Here are some of our current initiatives and partnerships; for those sectors where we have set targets, specific activity is covered in the relevant section of the wider report.

Net-Zero Banking Alliance (NZBA)

As a founding member of the NZBA since April 2021, the Bank continues to support and implement the guidance. During 2024, we were elected to join the NZBA Steering Group which oversees decision making and strategy of the Alliance. In June, we participated in the NZBA's first Global Member Conference. During the year, we have provided input on NZBA sector reports including power generation and capital markets.

Glasgow Financial Alliance for Net Zero (GFANZ)

We became members of GFANZ in 2021 through our participation in the NZBA. In 2024 we have continued to engage with GFANZ, and leverage key market insights gained through the membership, with a continued focus of considering opportunities for investment into the net zero transition.

We are aware of the current external context and changes associated with NZBA and GFANZ. We continue to be members of these organisations and will engage with them over relevant future activity as they develop moving forward.

Sustainable Markets Initiative (SMI)

The Sustainable Markets Initiative (SMI), launched by His Majesty The King when he was Prince of Wales in 2020, has the mission to coordinate the private sector in accelerating the achievement of global climate, biodiversity and the UN Sustainable Development Goal targets. We are an active member of the Financial Services Task Force, co-chairing the Deforestation Workstream and supporting the development and publication of the Environmental Crimes Financial Toolkit by WWF and Themis. Through the Agribusiness Transition Hub we delivered 'Scaling Regenerative Farming: A Practical Guide' which was published in January 2025. We also supported the delivery of 'Cleantech Homes: Lower Bills, Healthier Living' through the Cleantech Homes Lighthouse Project.

Partnership for Carbon Accounting Financials (PCAF)

PCAF is a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments. We joined PCAF in September 2020 and are also a member of the regional group PCAF UK. During 2024, we participated in the PCAF global member event at Climate Week NYC, co-facilitating a capacity building session on measurement of financed emissions for SMEs. We also became a member of the new working group on Securitised and Structured Products working to develop the PCAF Global Standard.

Aldersgate Group

Aldersgate Group is a multi-stakeholder alliance championing a competitive and environmentally sustainable economy that advocates the business case for decarbonising the UK economy, improving resource efficiency and investing in the natural environment through targeted political engagement and policy development. The Group joined in 2020.

Green Finance Institute (GFI)

During 2024 we worked closely with the GFI to unveil a ground-breaking report outlining the potential of innovative green finance mechanism Property Linked Finance (PLF), to channel billions of pounds worth of private investment into sustainable retrofit across the UK.

Nature partnerships

We recognise the importance of nature-based solutions and as such we seek to work with expert organisations in this space to support our clients, engage with policy makers and other stakeholders, to drive broader change. This includes our thought leadership with the RSPB as part of COP16 activity on integrating nature-based solutions across urban environments and landscapes, as well as on-the-ground activity through our partnerships with Soil Association Exchange and Projects for Nature, helping us to understand how we can support the scaling of nature-based solutions.

Purpose in action

Perseus

SDG 12.6
Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Key

Link to strategy

Change

In 2024, Lloyds Bank joined Perseus, a national initiative aimed at automating sustainability reporting for SMEs in the UK. This partnership seeks to unlock green finance and accelerate emission reductions.

Around 40 member firms will collaborate to design the rules and processes for automated emissions reporting, enabling the development of products such as emissions calculators and reporting software. Research from the British Business Bank indicates that SMEs are responsible for nearly half of the UK's business greenhouse gas emissions, yet only 3 per cent have measured their carbon footprint and set reduction targets[1].

Perseus will transform emissions reporting for SMEs, allowing them to easily share electricity data with platforms. This will simplify sustainability reporting and give SMEs control over their data. For accounting platforms, Perseus will enhance their offerings, making it easier for SMEs to produce sustainability reports and receive personalised recommendations. Banks will benefit from access to reliable data, improving risk management and enabling better products and services for SME customers. This could also lead to incentives for SMEs to report and reduce emissions.

The programme is supported by the government and included in the 2023 Green Finance Strategy. It is overseen by trade associations such as the British Business Bank and UK Finance, with implementation led by Icebreaker One and governance by an independent Delivery Oversight Committee.

This partnership represents a significant step towards a sustainable future, leveraging technology and collaboration to drive meaningful change.

1 Smaller businesses and the transition to net zero →

Bank lending to customers in environmentally significant sectors

When considering our increased environmental sustainability risk, we have looked at both climate and nature.

We recognise that we are earlier in our journey on nature than climate and therefore have initially focused on disclosing our exposure to sectors considered to have material nature-related impacts and dependencies.

This has been achieved by mapping industry codes provided by TNFD, for priority sectors defined in TNFD's Additional Guidance for Financial Institutions[1], to standard industrial classification (SIC) codes. The drivers behind the climate risk sectors and nature priority sectors are however potentially different.

Exposure to customers in environmentally significant sectors

Industry	Increased climate risk drivers[2]	Nature-related impacts and dependencies[1]
Agriculture, forestry and fishing	**Increased climate risk sectors:** agriculture, fishing and forestry. The **agriculture** sector is exposed to policy reform, increasing demands from supply chains and changes in consumer behaviour, alongside technological advances.	**Agriculture** is one of the sectors with the largest impacts and dependencies on nature. For example, agriculture directly contributes towards water scarcity and declining soil health. The **forestry** sector is directly dependent on water availability and can, when not managed sustainably, lead to habitat destruction and soil erosion. **Fishing** activities are dependent on healthy ecosystems, and can cause biodiversity loss through overexploitation and habitat destruction.
Other construction	**Increased climate risk sectors:** housebuilders and other construction. Risks associated with **housebuilding** and **other construction** include increased environmental regulation, including carbon taxes, and investor pressures and shifting consumer sentiment to move to alternative sustainable practices.	**Construction activities** are associated with high resource intensity, relying on large quantities of raw materials such as timber and water, the extraction of such can have significant impacts on natural ecosystems. Construction activities also involve significant land use changes and the production of substantial waste and pollution.
Energy and water supply	**Increased climate risk sectors:** utilities. **Utilities** that fail to address climate risks may face reputational damage, legal challenges, and increased scrutiny from investors and stakeholders.	**Energy supply** is a priority sector for nature as this sector has direct impacts on nature across land and sea use change, resource use and pollution. **Water supply** is highly dependent on ecosystem services[3] that enable the provision of water of a suitable quality. **Waste management** services within this industry are most notably associated with pollution as an impact driver through the pollution of soils and water.
Financial, business and other services	**Increased climate risk sectors:** automotive and real estate. The majority of our lending to financial, business and other services is associated with **automotive**, specifically rental companies, which are at risk of increased regulation/policies, as well as increasing investor pressure and shifting customer sentiment.	The majority of our lending to the financial, business and other services industry is **not considered to have material impacts and dependencies** on nature. Impacts and dependencies are associated with services to the sector linked to **transportation** (see Transport, distribution and hotels).
Manufacturing	**Increased climate risk sectors:** automotive, construction materials, chemicals and steel manufacture, food manufacture and wholesalers, general manufacturing and oil and gas. **Manufacturing** covers a broad range of activities, with risks associated with increasing policy reform, pressure to reduce emissions, exposure to carbon taxes, and increased litigation pressure and reputational damage.	Whilst **manufacturing** as an industry is not a distinct nature priority sector, manufacturing activities can have large impacts on the natural environment through, for example, air and water pollution and waste generation. These activities may also be highly dependent on the availability of water resources and have a high resource dependency on raw materials.
Mining and quarrying	**Increased climate risk sectors:** oil and gas. Whilst our lending to **oil and gas** activities within mining and quarrying is low, the risks from associated activities are increasing policy reform, pressure to reduce emissions, exposure to carbon taxes, and increased litigation pressure and reputational damage.	Our lending to **mining and quarrying** activities is low; however, these activities are associated with impacts related to land, freshwater and ocean use change as well as pollution such as air, soil and water pollutants and waste generation. The industry is also associated with high dependencies on ecosystem services such as water supply, flood control and water purification.
Postal and telecommunications	Climate risk is relatively low for this industry compared to other sectors.	The impacts of our lending to the **postal and telecommunications** industry is **not associated with a nature priority sector** indicating that it is not considered to have material nature-related dependencies and impacts.
Property companies	**Increased climate risk sectors:** real estate. The climate risks associated with **real estate** are evolving energy efficiency regulations, which could render properties non-compliant, potentially impact property valuations and lead to increased affordability pressures.	The majority of our lending to property companies is **not considered to have material nature-related impacts and dependencies** as this finance is primarily associated with real estate investment activities.
Transport, distribution and hotels	**Increased climate risk sectors:** automotive, industrial transport, oil and gas and passenger transport. Transition risk is a key issue for the **transport** sector, with an increase in regulation/policies, increased competition with new entrants alongside advances in technology, as well as increasing investor pressure and shifting customer sentiment.	High impacts and dependencies on nature related to our lending include, for example, the **transport** sector's potential to significantly impact nature in ways such as the emission of greenhouse gases and non-greenhouse gases, water and noise pollution. Beyond transport, this industry is associated with **consumer services**, such as food and drink and retail sale of pharmaceuticals, driving impacts such as waste production.
Personal (mortgages and other)	Risks associated with **personal mortgages** are evolving energy efficiency regulations, which could render properties non-compliant, potentially impact property valuations and lead to increased affordability pressures.	Our personal mortgages are not **considered to have material direct impacts or dependencies** on nature. Whilst upstream homebuilding (see Other construction) is associated with significant impacts and dependencies on nature, personal mortgages are primarily financial transactions related to property ownership which therefore have less of a direct influence on nature.
Lease financing and hire purchase	Transition risk is a key issue for the **transport** sector, with an increase in regulation/policies, increased competition with new entrants alongside advances in technology, as well as increasing investor pressure and shifting customer sentiment.	Lease financing and hire purchases are closely associated with the **transport** industry (see Transport, distribution and hotels).

1 TNFD: Additional Guidance for Financial Institutions → We have used ENCORE → as the primary source of impact and dependency information.
2 Increased climate risk represents lending to customers that may likely contribute a higher share of the Group's financed emissions. Not all customers in these sectors have high emissions or are exposed to significant transition risks.
3 The benefits people obtain from ecosystems.

Overview
Our Group strategy
Quality and affordable housing
Empowering a prosperous future
Supporting regional development and communities
Building an inclusive organisation
Transition to net zero and protecting nature
Risk management
How we deliver

Transition to net zero and protecting nature continued

Banking activities continued

Exposure to environmentally significant sectors

Our lending portfolio means our biggest exposure to sectors at increased climate risk is in relation to our residential mortgages, real estate sector and agriculture.

Exposure to customers in environmentally significant sectors (£m)

		31 December 2024					31 December 2023				
Concentrations of exposure[1]	Sectors with increased climate risk[2]	Lending[3]	Off-BS[4]	Total exposure	Increased climate risk % of Group	Nature priority sectors % of Group	Lending[3]	Off-BS[4]	Total exposure	Increased climate risk % of Group	Nature priority sectors % of Group
Agriculture, forestry and fishing	Agriculture[5]	6,307	568	6,875			6,968	680	7,648		
	Fishing	15	4	19			58	3	61		
	Forestry	16	24	40			12	8	20		
	Total	**6,338**	**596**	**6,934**	**1.1%**	**1.1%**	**7,038**	**691**	**7,729**	**1.3%**	**1.3%**
Other construction	Housebuilders	1,016	1,521	2,537			993	1,484	2,477		
	Other construction	2,063	1,067	3,130			2,550	1,010	3,560		
	Total	**3,079**	**2,588**	**5,667**	**0.9%**	**0.9%**	**3,543**	**2,494**	**6,037**	**1.0%**	**1.0%**
Energy and water supply[6]	Utilities	4,216	4,517	8,733			2,964	5,389	8,353		
	Not assessed as increased risk	353	1,017	1,370			504	1,065	1,569		
	Total	**4,569**	**5,534**	**10,103**	**1.4%**	**1.5%**	**3,468**	**6,454**	**9,922**	**1.4%**	**1.4%**
Financial, business and other services	Automotive	65	628	693			574	506	1,080		
	Real estate	–	331	331			–	27	27		
	Not assessed as increased risk	36,859	30,722	67,581			34,538	29,026	63,564		
	Total	**36,924**	**31,681**	**68,605**	**0.2%**	**0.4%**	**35,112**	**29,559**	**64,671**	**0.2%**	**0.2%**
Manufacturing[7]	Automotive	924	1,769	2,693			711	2,556	3,267		
	Construction materials, chemicals and steel manufacture	158	219	377			324	203	527		
	Food manufacturing and wholesalers	897	797	1,694			1,019	739	1,758		
	General manufacturing	1,797	3,049	4,846			1,796	2,860	4,656		
	Oil and gas	1	25	26			1	27	28		
	Not assessed as increased risk	195	894	1,089			170	992	1,162		
	Total	**3,972**	**6,753**	**10,725**	**1.6%**	**1.1%**	**4,021**	**7,377**	**11,398**	**1.7%**	**1.3%**
Mining and quarrying	Oil and gas	125	491	616			240	1,180	1,420		
	Not assessed as increased risk	44	8	52			95	41	136		
	Total	**169**	**499**	**668**	**0.1%**	**0.1%**	**335**	**1,221**	**1,556**	**0.2%**	**0.3%**
Postal and telecommunications	Not assessed as increased risk	3,162	3,725	6,887			2,654	2,979	5,633		
	Total	**3,162**	**3,725**	**6,887**	**0.0%**	**0.0%**	**2,654**	**2,979**	**5,633**	**0.0%**	**0.0%**
Property companies[8]	Real estate[9]	19,252	6,157	25,409			20,904	7,637	28,541		
	Total	**19,252**	**6,157**	**25,409**	**4.1%**	**0.1%**	**20,904**	**7,637**	**28,541**	**4.8%**	**0.1%**
Transport, distribution and hotels[10]	Automotive	1,741	2,167	3,908			1,917	2,316	4,233		
	Industrial transport	864	885	1,749			1,118	780	1,898		
	Oil and gas	57	10	67			100	9	109		
	Passenger transport	531	1,421	1,952			449	972	1,421		
	Not assessed as increased risk	6,391	5,240	11,631			6,460	4,984	11,444		
	Total	**9,584**	**9,723**	**19,307**	**1.2%**	**1.6%**	**10,044**	**9,061**	**19,105**	**1.3%**	**1.6%**
Total non-personal		**87,049**	**67,256**	**154,305**	**10.6%**	**6.7%**	**87,119**	**67,473**	**154,592**	**11.9%**	**7.2%**
Personal (mortgages & other)[11]	Increased risk	331,001	18,251	349,252			323,777	13,626	337,403		
	Not assessed as increased risk	27,854	65,188	93,042			25,192	64,491	89,683		
	Total	**358,855**	**83,439**	**442,294**	**56.9%**	**0.0%**	**348,969**	**78,117**	**427,086**	**56.3%**	**0.0%**
Lease financing & hire purchase	Increased risk	17,144	530	17,674			17,374	578	17,952		
	Total	**17,144**	**530**	**17,674**	**2.9%**	**2.9%**	**17,374**	**578**	**17,952**	**3.0%**	**3.0%**
Total personal		**375,999**	**83,969**	**459,968**	**59.8%**	**2.9%**	**366,343**	**78,695**	**445,038**	**59.3%**	**3.0%**
Total		**463,048**	**151,225**	**614,273**	**70.4%**	**9.6%**	**453,462**	**146,168**	**599,630**	**71.1%**	**10.1%**
Subtotals	Increased climate risk	388,190	44,431	432,621	70.4%		383,849	42,590	426,429	71.1%	
	Nature priority sectors[12]	40,176	18,670	58,847		9.6%	40,156	20,673	60,829		10.1%
	Oil and gas	183	526	709	0.1%		341	1,216	1,557	0.3%	
	Automotive	2,730	4,564	7,294	1.2%		3,202	5,378	8,580	1.4%	
	Real estate	19,252	6,488	25,740	4.2%		20,904	7,664	28,568	4.8%	

1 Based on the standard European nomenclature of productive activities (NACE codes) as presented within the Concentrations of Exposure table in on our annual report and accounts 2024 on page 174.
2 Based on standard industrial classification (SIC) codes.
3 Lending is based on total loans and advances to customers before allowance for impairment losses.
4 Off-BS (Off Balance Sheet) includes total commitments, guarantees and contingent liabilities.
5 Agriculture includes Scottish Widows loans held via securitisation.
6 Energy and water supply nature priority sector % of Group – this industry is also associated with waste management services which, whilst not associated with high climate risk, are associated with material impacts and dependencies on nature.
7 Manufacturing nature priority sector % of Group – unlike for climate, not all general manufacturing is associated with a nature priority sector.
8 Property companies nature priority % of Group – whilst the TNFD identifies real estate development as a priority sector for nature, the majority of our exposure is associated with real estate investment activities, and therefore this lending is not associated with a nature priority sector.
9 Real estate includes social housing and loans held via securitisation.
10 Transport, distribution and hotels nature priority % of Group – whilst not considered to be associated with high climate risk, some of our lending in this industry is associated with, for example, consumer services such as food and drink and retail sale of pharmaceuticals which are associated with nature priority sectors.
11 Personal (mortgages & other) nature priority sector % of Group – whilst climate risk considers the energy usage of homes associated with our personal mortgages as a key driver, from a nature perspective the direct influence of homeowners on the state of nature is considered to be low.
12 Nature priority sectors are identified separately from increased climate risk, outlined on **page 79**.

Transition to net zero and protecting nature continued
Banking activities continued

Our 2024 exposure to increased climate risk sectors – including credit loss stage and maturity

Analysis by IFRS 9 expected credit loss stage and maturity for lending made to sectors classified as being at increased climate risk.

Exposure to customers in sectors with increased climate risk (£m) – 31 December 2024

		Increased risk lending by credit loss stage				Increased risk lending by maturity			
Concentrations of exposure	Sectors with increased climate risk	Stage 1	Stage 2	Stage 3	Total	< 1 year	1-5 years	> 5 years	Total
Agriculture, forestry and fishing	Agriculture	5,563	457	287	6,307	1,905	1,540	2,862	6,307
	Fishing	12	3	–	15	5	4	6	15
	Forestry	14	2	–	16	5	4	7	16
	Total	**5,589**	**462**	**287**	**6,338**	**1,915**	**1,548**	**2,875**	**6,338**
Other construction	Housebuilders	722	265	29	1,016	594	356	66	1,016
	Other construction	1,409	441	213	2,063	1,206	723	134	2,063
	Total	**2,131**	**706**	**242**	**3,079**	**1,800**	**1,079**	**200**	**3,079**
Energy and water supply	Utilities	3,969	169	78	4,216	2,162	1,721	333	4,216
	Total	**3,969**	**169**	**78**	**4,216**	**2,162**	**1,721**	**333**	**4,216**
Financial, business and other services	Automotive	51	13	1	65	37	24	4	65
	Total	**51**	**13**	**1**	**65**	**37**	**24**	**4**	**65**
Manufacturing	Automotive	918	6	–	924	553	306	65	924
	Construction materials, chemicals and steel manufacture	101	54	3	158	95	52	11	158
	Food manufacturing and wholesalers	857	35	5	897	537	297	63	897
	General manufacturing	1,541	185	71	1,797	1,075	595	127	1,797
	Oil and gas	–	1	–	1	1	–	–	1
	Total	**3,417**	**281**	**79**	**3,777**	**2,261**	**1,250**	**266**	**3,777**
Mining and quarrying	Oil and gas	121	4	–	125	64	51	10	125
	Total	**121**	**4**	**–**	**125**	**64**	**51**	**10**	**125**
Property companies	Real estate	17,696	1,143	413	19,252	9,317	7,742	2,193	19,252
	Total	**17,696**	**1,143**	**413**	**19,252**	**9,317**	**7,742**	**2,193**	**19,252**
Transport, distribution and hotels	Automotive	1,619	56	66	1,741	978	596	167	1,741
	Industrial transport	750	98	16	864	485	296	83	864
	Oil and gas	57	–	–	57	33	19	5	57
	Passenger transport	483	38	10	531	298	182	51	531
	Total	**2,909**	**192**	**92**	**3,193**	**1,794**	**1,093**	**306**	**3,193**
Total non-personal		**35,883**	**2,970**	**1,192**	**40,045**	**19,350**	**14,508**	**6,187**	**40,045**
Personal (mortgages & other)	In scope	287,798	36,757	6,446	331,001	14,789	54,359	261,853	331,001
	Total	**287,798**	**36,757**	**6,446**	**331,001**	**14,789**	**54,359**	**261,853**	**331,001**
Lease financing & hire purchase	In scope	14,422	2,592	130	17,144	5,399	11,337	408	17,144
	Total	**14,422**	**2,592**	**130**	**17,144**	**5,399**	**11,337**	**408**	**17,144**
Total personal		**302,220**	**39,349**	**6,576**	**348,145**	**20,188**	**65,696**	**262,261**	**348,145**
Total		**338,103**	**42,319**	**7,768**	**388,190**	**39,538**	**80,204**	**268,448**	**388,190**

1 Personal (mortgages and other) includes POCI (purchased or originated credit impaired) assets within underlying stages, £0.8 billion Stage 1, £3.3 billion Stage 2 and £2.2 billion Stage 3.

Sector target summary

Our target summary

Based on 2023 total Group assets of £881.5 billion, approximately £545.4 billion of assets (excluding pension and investment balances) are in scope of Partnership for Carbon Accounting Financials (PCAF) methodology. We have calculated emissions for 96 per cent of our Bank assets in scope of PCAF.

Cash is represented in our coverage as zero emissions, noting the PCAF standard does not have a methodology for cash. The table below shows the proportion of lending that is covered by NZBA financed emissions sector targets:

Reconciliation of Group total assets to lending used for emissions calculations

	Total 2023 £bn
Total assets	**881.5**
Insurance, Pensions and Investments[1]	(184.3)
Outside of PCAF scope[2]	(151.8)
Bank assets in scope	**545.4**
Zero emissions assets[3]	(80.8)
Bank sovereign debt[4]	(14.6)
Bank lending with financed emissions	**450.0**
Lending where emissions are not yet calculated[5]	(17.4)
Total lending where Bank financed emissions have been calculated	**432.6**

1 Pensions and investment balances are covered through our Scottish Widows financed emissions ambition.
2 Relates to financial lines and business areas that are not in scope of the PCAF standard.
3 Relates to zero emission balances (mainly cash).
4 See **page 83** for our approach to Bank sovereign debt.
5 Relates to lending portfolios where emissions are yet to be calculated.

NZBA sector target summary

System and target[6]	Baseline year of target	Total sector lending 2023 (£bn)	% of sector under NZBA target in 2023	Target baseline[7] ⊛ [9]	2023 Target progress ⊛	Divergence from pathway[8]
Greening the built environment						
UK mortgages – 41% reduction in emissions intensity to $28kgCO_2e/m^2$ by 2030	2020	307.3	100%	$46kgCO_2e/m^2$	$43kgCO_2e/m^2$ ⊛	1.0% ▼
Commercial and residential real estate (C&RRE) – 48% reduction in emissions intensity to $21kgCO_2e/m^2$ by 2030	2021	23.5	86%	$39kgCO_2e/m^2$ ⊛	$38kgCO_2e/m^2$ ⊛	5.4% ▼
Low carbon transport						
Retail motor – Reduce the emissions intensity of our cars and light commercial vehicles (LCVs) by more than 50% by 2030, reaching:	2018	20.2	94%			
$75gCO_2e/km$ or lower (cars)				$150gCO_2e/km$ (cars)	$135gCO_2e/km$ (cars) ⊛	8.6% ▼
$99gCO_2e/km$ or lower (LCVs)				$198gCO_2e/km$ (LCVs)	$190gCO_2e/km$ (LCVs) ⊛	11.9% ▼
Road passenger transport – 49% reduction in emissions intensity to $72gCO_2e/pkm$ by 2030	2019	0.8	69%	$141gCO_2e/pkm$ ⊛	$130gCO_2e/pkm$ ⊛	4.3% ▼
Automotive (OEMs) – 47% reduction in emissions intensity to $133gCO_2e/vkm$ by 2030	2020	8.6	99%	$249gCO_2e/vkm$ ⊛	$259gCO_2e/vkm$ ⊛	22.5% ▼
Aviation – 31% reduction in emissions intensity to $737gCO_2e/rtk$ by 2030	2019	0.0	87%	$1,068gCO_2e/rtk$ ⊛	$904gCO_2/rtk$ ⊛	-4.6% ▲
Sustainable farming and food						
Agriculture – 25% reduction of absolute emissions by 2030 to $5.0MtCO_2e$	2021	6.6	93%	$6.7MtCO_2e$ ⊛	$5.9MtCO_2e$ ⊛	-3.7% ▲
Energy transition						
Oil and gas – 50% reduction of absolute emissions by 2030 to $3.2MtCO_2e$	2019	1.5	47%	$6.4MtCO_2e$ ⊛	$2.0MtCO_2e$ ⊛	-45.0% ▲
Power generation – 81% reduction in emissions intensity to $53gCO_2e/kWh$ by 2030	2020	3.0	70%	$276gCO_2e/kWh$	$54gCO_2e/kWh$ ⊛	-74.1% ▲
Thermal coal – Full exit of thermal coal power in the UK since 2023. Full exit from all entities that operate thermal coal facilities by 2030				–	–	–
Total lending with NZBA targets		**371.5**				
Commercial Banking without NZBA targets		61.1				
Total lending where Bank financed emissions have been calculated		**432.6**				

$$\text{Total target coverage of in scope assets} = \frac{\text{Total lending with NZBA targets}}{\text{Bank lending with financed emissions}} = 83\%$$

$$\text{Total calculated emissions} = \frac{\text{Total lending where Bank financed emissions have been calculated}}{\text{Bank lending with financed emissions}} = 96\%$$

6 There are rounding differences between target baseline, percentage reduction and 2030 target. Targets cover on-balance sheet assets. The scope of our target has been defined within the sustainability metrics basis of reporting 2024 which is available in our sustainability downloads →
7 Baselines for C&RRE, Road passenger transport, Automotive (OEMs), Aviation, Agriculture and Oil and gas have been updated due to methodology changes, revised client data and clarification of client scope 3 data. Further details on **pages 89 to 114**.
8 Shows divergence between 2023 actual and 2023 reference pathway. Arrow up – performance for 2023 ahead of reference pathway. Arrow down – performance for 2023 behind reference pathway. Retail motor cars and LCVs divergence is based on divergence from scenario pathway as no reference pathway is available.
9 The baseline metrics for UK mortgages, Retail Motor and Power have not been restated in the current period and were previously subject to limited assurance by Deloitte LLP in 2023. This limited assurance report is available at sustainability downloads →
⊛ Indicator is subject to limited assurance by Deloitte LLP for further details see **page 03**.

Our Bank financed emissions

Our scope 3 financed emissions are calculated from the scope 1 and 2 emissions generated from our investments or lending. Scope 3 (value chain) emissions are also calculated and reported separately. We continue to refine our estimates of financed emissions as we enhance our understanding, calculation methodologies and data. Further details on our calculation methodology can be found within the sustainability metrics basis of reporting 2024 available in our sustainability downloads →

We recognise our role in the UK economy, and the opportunities it creates to support the transition of our most carbon-intensive sectors to meet our net zero ambitions. In supporting the transition through direct financing our financed emissions may increase on a temporary basis. In the long term we expect that supporting the transition of our high carbon sector clients will reduce our financed emissions. For details of our Client Transition Plan assessment approach see **pages 85 to 87**.

Bank sovereign debt
Following the issuance by PCAF of sovereign debt methodology, we have calculated and reported financed emissions on our sovereign bond portfolio for the first time this year. These bonds are held as part of the Bank's liquidity portfolio. As the balances can vary significantly over time and there is limited potential to influence the emissions of the issuing nations, these emissions are not included as part of the Bank financed emissions baseline or ambition. Estimated emissions for the period ended 31 December 2023 are 1.9 $MtCO_2e$. For details on sovereign debt emissions within Scottish Widows see **page 122**.

For details on economic intensity by sector please see the sustainability metrics datasheet 2024 available in our sustainability downloads →

Bank absolute financed emissions, PCAF data quality scores and intensity metrics[1,2,6]

	2023									2022					2018				
	Financed emissions ($MtCO_2e$)									Financed emissions ($MtCO_2e$)					Financed emissions ($MtCO_2e$)				
NZBA sector	Scope 1	PCAF data quality score	Scope 2	PCAF data quality score	Total scope 1 and 2	PCAF data quality score	Scope 3	PCAF data quality score	Physical emissions intensity	Total scope 1 and 2	PCAF data quality score	Scope 3	PCAF data quality score	Physical emissions intensity	Total scope 1 and 2	PCAF data quality score	Scope 3	PCAF data quality score	Physical emissions intensity
Greening the built environment																			
UK mortgages	4.1	3.4	0.6	3.4	4.7 ⊛	3.4 ⊛	–	–	43kgCO_2e/m^2 ⊛	5.1	3.4	–	–	44kgCO_2e/m^2	–	–	–	–	–
C&RRE	0.4	4.5	0.2	4.5	0.6 ⊛	4.5 ⊛	–	–	38kgCO_2e/m^2 ⊛	0.7	4.5	–	–	39kgCO_2e/m^2	–	–	–	–	–
Low carbon transport																			
Retail motor	2.2	2.2	0.2	2.7	2.4 ⊛	2.3 ⊛	–	–	135gCO_2e/km (cars) & 190gCO_2e/km (LCVs) ⊛	2.4	2.2	–	–	143gCO_2e/km (cars) & 190gCO_2e/km (LCVs)	3.7	2.1			150gCO_2e/km (cars) & 198gCO_2e/km (LCVs)[5]
Road passenger transport	0.1	2.1	0.0	2.1	0.1 ⊛	2.1 ⊛	0.0 ⊛	2.1 ⊛	130gCO_2e/pkm ⊛	0.2	2.1	0.1	2.1	129gCO_2e/pkm	–	–	–	–	–
Automotive (OEMs)	0.1	2.0	0.1	2.0	0.2 ⊛	2.0 ⊛	13.2 ⊛	2.0 ⊛	259gCO_2e/vkm ⊛	0.2	2.0	13.0	2.0	303gCO_2e/vkm	–	–	–	–	–
Aviation	0.1	2.0	0.0	2.0	0.1 ⊛	2.0 ⊛	0.0 ⊛	2.0 ⊛	904gCO_2/rtk ⊛	0.4	2.0	0.1	2.0	977gCO_2/rtk	–	–	–	–	–
Sustainable farming and food																			
Agriculture	5.7	4.7	0.2	4.7	5.9 ⊛	4.7 ⊛	–	–	–	6.3	4.7	–	–	–	–	–	–	–	–
Energy transition																			
Oil and gas[7]	0.2	2.2	0.0	2.2	0.2 ⊛	2.2 ⊛	1.7 ⊛	2.4 ⊛	–	0.3	3.6	2.4	3.7	–	–	–	–	–	–
Power generation	0.1	3.0	0.0	2.0	0.1 ⊛	3.0 ⊛	–	–	54gCO_2e/kWh ⊛	0.2	3.0	–	–	120gCO_2e/kWh	–	–	–	–	–
Bank financed emissions with NZBA target	**13.0**	**3.3**	**1.3**	**3.4**	**14.3**	**3.4**	**14.9**	**2.0**		**15.8**	**3.4**	**15.6**	**2.2**		**3.7**	**2.1**	**–**	**–**	**–**
Consumer lending without NZBA targets[3]	0.2	3.8	0.0	4.0	0.2	3.8	–	–		0.2	3.8	–	–		6.9	3.9	–	–	–
Commercial Banking without NZBA targets[4]	4.0	4.2	1.2	4.2	5.2	4.2	46.4	5.0		5.7	4.1	46.7	5.0		19.1	4.3	–	–	–
Total Bank financed emissions	**17.2**	**3.5**	**2.5**	**3.5**	**19.7**	**3.5**	**61.3**	**4.6**		**21.7**	**3.5**	**62.3**	**4.7**		**29.7**	**3.9**	**–**	**–**	**–**

1 Our 2018 baseline year was restated from 29.6 $MtCO_2e$ to 29.7 $MtCO_2e$ and 2022 comparative year restated from 22.0 $MtCO_2e$ to 21.7 $MtCO_2e$. These restatements are due to methodology changes and improving client data impacting C&RRE, Road passenger transport, Automotive (OEMs), Aviation, Agriculture and Oil and gas. Further details provided for affected sectors on **pages 89 to 114**.
2 The Bank's scope 3 emissions are made up of the scope 1, 2 and 3 emissions of the customers we lend to. PCAF allows for a phasing in of disclosure for customers' scope 3 emissions. Methodology outlining the calculation of finance emissions is included in our sustainability metrics basis of reporting 2024 which is available in our sustainability downloads →
3 Consumer lending without NZBA targets relates to Retail motor vehicles outside of the Cars & LCVs NZBA targets and 2018 includes UK mortgages prior to setting an NZBA target.
4 Commercial Banking without NZBA targets, reflects scope 3 for all sectors without an NZBA scope 3 target, in line with PCAF guidance. This disclosure is limited to scope 3 upstream emissions due to PCAF scope 3 emission factors only covering upstream.
5 The baseline metrics for Retail Motor has not been restated in the current period and were previously subject to limited assurance by Deloitte LLP in 2023. This limited assurance report is available online in our sustainability downloads →
6 Targets cover on balance sheet assets.
7 There are rounding differences for oil and gas between the sum of scope 1,2 and 3 (1.9 $MtCO_2e$) versus the absolute emission target reduction of 2.0 $MtCO_2e$ reported on **page 82**.
⊛ Indicator is subject to limited assurance by Deloitte LLP for further details see **page 03**.

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Transition to net zero and protecting nature
Risk management
How we deliver

Facilitated emissions

PCAF published the Global GHG Accounting and Reporting Standard (Part B) (the Standard) for facilitated emissions in December 2023, which covers a subset of capital markets (off-balance sheet) activities.

In alignment with PCAF standards, we are committed to calculating and disclosing a baseline for our facilitated emissions activities that adheres to the Standard. This includes primary bond and syndicated loan issuances. Facilitated emissions differ from financed emissions in that they are not typically held on balance sheet, and the capital exposure is temporary.

Scope of facilitated activity and key design choices

Category of emissions: We have calculated our facilitated emissions baseline related to our clients' scope 1, 2 and 3 emissions. Given data availability, we report scope 1 and 2 facilitated emissions separately to scope 3.

Overall, our current facilitated emissions are small relative to the Group's banking financed emissions (using both the 33 per cent and 100 per cent weighting). We have calculated our 2023 scope 1 and 2 facilitated emissions baseline with 100 per cent weighting to be 0.76 $MtCO_2e$. This represents less than 4 per cent of the 2023 Group scope 1 and 2 banking financed emissions and using the 33 per cent weighting, just 1 per cent of Group emissions.

Further details on our calculation methodology can be found within the sustainability metrics basis of reporting 2024 in our sustainability downloads →

Bank facilitated emissions, PCAF data quality scores and intensity metrics

		Baseline year: 2023								
		Facilitated emissions ($MtCO_2e$)								
Sector	Facilitated amount (£bn)	Scope 1 and 2 33% weighting	Scope 1 and 2 100% weighting	Scope 1 and 2 as % of facilitated total	PCAF data quality score	Scope 3 33% weighting	Scope 3 100% weighting	Scope 3 as % of facilitated total	PCAF data quality score	Economic emissions intensity ($MtCO_2e$/ £bn)
Low carbon transport										
Passenger transport	0.4	0.09	0.26	35%	1.8	0.04	0.11	1%	1.4	0.84
Automotive (OEMs)	2.8	0.03	0.08	10%	1.1	1.91	5.80	80%	1.1	2.13
Energy transition										
Oil and gas	0.2	0.02	0.07	9%	2.0	0.11	0.34	5%	2.6	1.73
Power generation	0.4	0.03	0.09	12%	1.7	0.02	0.05	1%	3.0	0.37
Sector-based facilitated emissions	**3.8**	**0.17**	**0.50**	**66%**	**1.3**	**2.08**	**6.30**	**87%**	**1.4**	**1.77**
Non-sector-based facilitated emissions	10.8	0.08	0.26	34%	2.3	0.31	0.94	13%	2.8	0.11
Total bank facilitated emissions	**14.6**	**0.25** ⊛	**0.76** ⊛	**100%**	**2.0** ⊛	**2.39** ⊛	**7.24** ⊛	**100%**	**2.5** ⊛	**0.55** ⊛
Green use of proceed facilitated emissions[1]	0.8	0.03	0.08		3.1	0.15	0.45		2.5	0.70

1 Our primary green bond issuances are included separately and we have attributed full emissions weightings (33 per cent and 100 per cent of our total bookrunner apportionment).
⊛ Indicator is subject to limited assurance by Deloitte LLP for further details see **page 03**.

Weighting: The Standard requires banks to report facilitated emissions using a 33 per cent weighting factor, reflecting the fact that a financial institution's role in facilitating capital markets activities is different from its role as a lender. PCAF does however allow banks to additionally report facilitated emissions using a 100 per cent weighting. We have reported data using both the 33 per cent and 100 per cent weighting factors to be more transparent.

Green Bonds: We have included primary green bond issuances, and we have attributed full emissions weighting to our bookrunner apportionment.

Primary syndicated loans: The Standard only covers the portion of primary issuances that are sold to investors. Any retained portion of a syndicated loan will be on-balance sheet, and is therefore removed from our facilitated amounts and instead subject to the Financed Emissions Standard (Part A).

Primary issuances from financial institutions: Whilst the Standard does not explicitly state whether primary issuances from financial institutions should be included, we have opted to include them for completeness. Including financial institutional activities will increasingly impact our facilitated emissions as scope 3 emissions data becomes more readily available and reliable.

Setting sector reduction targets for facilitated emissions

We are exploring our target setting approach in relation to capital markets activities, which will be informed by materiality in the context of Lloyds Banking Group and the market, data and methodologies in this emerging area. Our facilitated emissions data is sector and deal concentrated with four sectors representing 66 per cent of scope 1 and 2 facilitated emissions for 2023. We acknowledge that facilitated emissions will fluctuate year-on-year due to: the influence of market conditions on deal supply and demand; emissions being calculated and disclosed only in the year each deal is facilitated; and PCAF bringing more products into scope for facilitated emissions (securitisations, covered bonds, green use of proceed bonds etc.) as and when calculation methodologies are made available.

Credible Transition Plan assessments and other enabling activity

Understanding our Clients' Transition Plan credibility

Launched in 2023, our approach to Credible Transition Plans (CTP) has continued to evolve in 2024. We have engaged with our corporate clients to support them in achieving their decarbonisation ambitions and facilitate a real-economy transition. Our CTP approach forms a critical part of our broader Group transition plan, supporting our sector net zero targets and ambitions.

In June 2024, the IFRS Foundation[3] assumed responsibility for the Transition Plan Taskforce's (TPT) guidance. We will continue to align with industry best practice as this space matures and welcome increased interoperability in transition planning regulations and disclosures such as through the increased alignment between the CDP and EU Sustainability Reporting Standards[4]. We support the recommendation of the Transition Finance Market Review[5] that scaling finance for transitioning entities can be facilitated through widespread transition planning, and the development of a robust ecosystem for transition plan assessment which will become clearer as the UK government consults (H1 2025) on how best to take forward its manifesto commitment on transition plans.

In 2024, we expanded the number of clients for whom transition planning is considered in Corporate and Institutional Banking (CIB). We have developed a robust process to differentiate between clients based on emissions materiality and exposure to the transition to net zero.

We conducted a survey of corporates and institutional investors and 80% of respondents to our survey say they have a transition plan[1,2]

Understanding Client Transition Plan credibility

Client coverage

Two assessment pathways for corporate and institutional banking clients (CIB)

Is client in scope for in-depth CTP assessment?

No →

Client-centric assessment approach

97 per cent of Corporate and Institutional Banking book covered by high-level CTP assessment: included within updated ESG Tool Climate Transition Risk Assessment

See page 128

Outcomes

→ Continue to embed outcomes into our risk decisioning processes, considering outcomes in setting sector and client-level appetite in select cases

Yes →

Maintain in-depth assessment of top 100 most-material clients, completed by subject matter experts in specialist frontline team

→ Highly detailed, bespoke assessments are leveraged, where appropriate, to hold impactful direct engagements with clients

→ Utilise client engagement to support client in maturing their transition planning

→ Identification of opportunities to support the energy transition

→ CTP assessment outcomes considered by ESG risk team, providing greater understanding of client transition risk

1 Our survey, comprising 100 director-level executives from companies with at least £100 million annual revenue and 100 professionals from institutional investment firms with at least £100 million assets under management.
2 Read our published report here →
3 IFRS – Transition Plan Taskforce resources →
4 CDP and EFRAG announcement →
5 Transition Finance Market review →

Transition to net zero and protecting nature continued

Banking activities continued

Our approach to in-depth CTP assessments

In 2023, we developed our CTP methodology (see sustainability report 2023 available in our sustainability downloads →). This methodology aligns with the TPT, including established frameworks, standards and tools set out by GFANZ and NZBA (including CA100+[1], TPI[2], CDP, SBTi[3], ACT[4], and company publications). Clients are assessed against the TPT's three pillars: Ambition, Action and Accountability. Initially leveraging sector-neutral guidance, we have since expanded it to include sector-specific guidance and guidance on nature, adaptation and just transition.

We conduct an annual review of the credibility of transition plans for clients within our scope. Where appropriate, we hold engagement meetings with clients, focusing on understanding their transition plans and discussing any identified gaps.

Our 2024 progress:

Progress and evolution of our CTP approach

We have further progressed and evolved our approach to CTP, as detailed below.

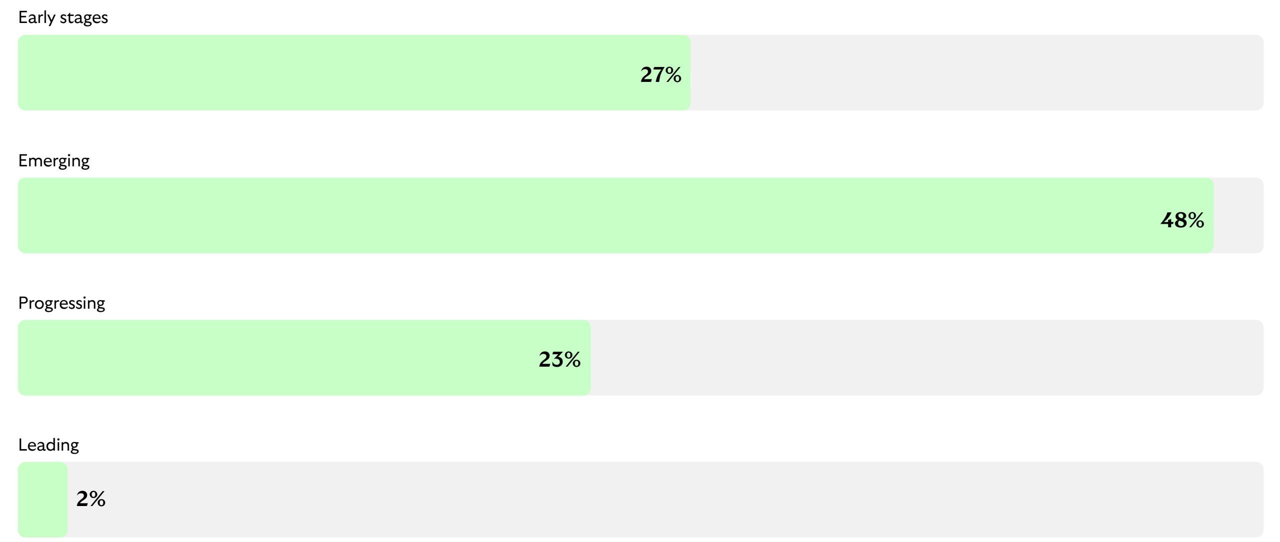
- Completion of in-depth CTP assessments for over 100 of our most material CIB clients (representing £14 billion of drawn lending)
- Expansion of the sectors assessed beyond oil and gas and power and utilities, including aviation, auto OEMs, road transport, manufacturing, leisure, food, drink and retail
- Updated the Climate Transition Risk assessments in our ESG Risk Tool to more closely align with the CTP assessment criteria, bringing our internal, more scalable solution in line with the latest best practice and standards, and providing transition risk insights for 97 per cent of our CIB clients
- Development of front-line capabilities through training relationship managers to identify good practice in transition planning, and further building our team of experts to undertake in-depth CTP assessments and engage with clients on CTP
- Launched a nature in CTPs pilot for the food and drink sector and a pilot to understand credible use of carbon credits from the voluntary market in transition plans (see **page 88**). We will continue to align to the guidance that the TPT, and now IFRS, will publish on key transition themes

Driving impact through CTP

In 2024, we reassessed our clients in the oil & gas and power & utilities sectors and found that 32 per cent had advanced the maturity of their transition plans from 2023 to 2024. Examples of progress include clients reporting their scope 3 emissions from sold products for the first time and setting 2050 net zero targets. We have seen an increasing demand from clients for support and advice on developing their transition plans and sustainability strategies. Therefore in 2025, we intend to evolve our formal support to meet this demand.

We have continued to embed the outcomes from CTP into our decision-making processes, including within our ESG risk management activities. Our ESG risk team provides specialised support to our credit risk function, ensuring that relevant insights from CTP are considered as part of lending decisions at both the transaction/client level and sector level where relevant. This can result in a range of potential actions, including further client engagement, managing client limits at refinancing or may impact considerations for new or extended lending. Understanding our clients' transition plans helps us identify where they need our support, such as through providing finance for the technologies they rely on to decarbonise.

Client CTP outcomes: transition planning maturity[5]



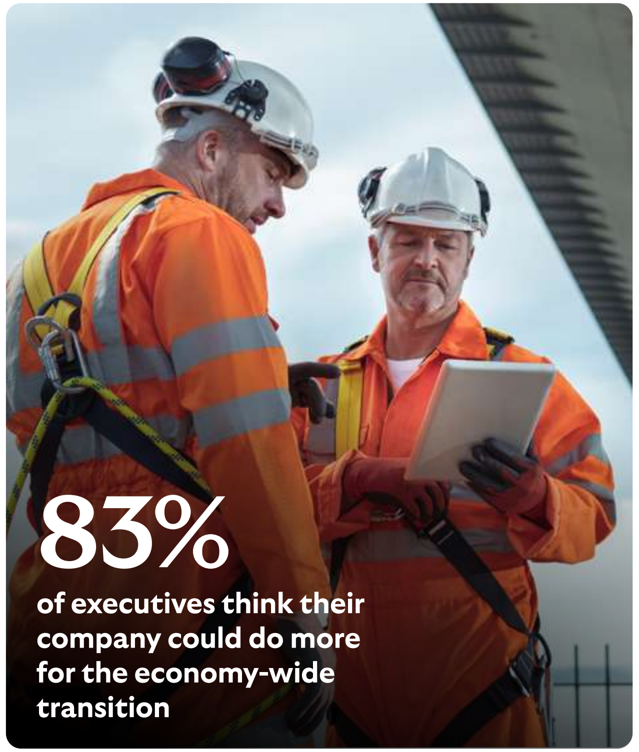
Transition planning maturity levels are divided into:

- Early stages of Credible Transition Plan development
- Emerging beyond early stages in development of their Credible Transition Plan
- Progressing well towards setting a Credible Transition Plan
- Leading relative to peers in development of a robust and Credible Transition Plan

5 In total 103 clients were assessed.

Piloting integration of nature into transition planning

In 2024, we launched a nature pilot for food and drink clients testing the incorporation of early considerations of nature into transition plans. We held constructive discussions with our clients, finding 89 per cent of clients included in the pilot have undertaken an initial assessment of nature-related issues. Nature transition planning continues to evolve; we will continue to develop integration of nature into 2025 CTP assessments.



1 Climate Action 100+.
2 Transition Pathway Initiative.
3 Science-Based Targets initiative.
4 Assessing the Low Carbon Transition.

Transition to net zero and protecting nature continued

Banking activities continued

Insights from Credible Transition Plan assessments

Our learnings from CTP assessments and engagements

- The transition to net zero impacts all sectors. The availability of commercially scalable technologies and the requirement for a supportive regulatory environment determines the pace of change, resulting in maturity variations across sectors and jurisdictions
- Implementing and disclosing transition plans require significant resource alongside wider sustainability reporting requirements. Larger, listed company sustainability disclosures are typically detailed, whilst private companies often limit public disclosure granularity
- The landscape for corporate transition planning continues to evolve. There are increasing numbers of external transition planning assessments and analytics tools, and an emerging regional divergence in transition planning expectations. A hierarchy of data source is only just starting to emerge alongside an acknowledgement of the need to increase the interoperability and commonality of transition planning frameworks

As we engage with our clients, we expect increasing maturity with time. We support our clients through identifying engagement priorities based on their current transition planning maturity as determined by our CTP framework and working with them towards our client leadership expectations as disclosed in our sustainability report 2023 available in our sustainability downloads →

CTP sector insights

	Power and utilities[1]	Energy[2]	Aviation[3]
Ambition	Many power companies are recognised as mature on sustainability disclosures, with these higher-quality disclosures driving stronger performance in CTP assessments (such as through setting 1.5°C science-aligned targets for 2030 alongside net zero targets). We engaged with our clients to understand the complexity of delivering their transition plans, finding strategies are influenced by the nature of clients' asset base and investment opportunities within a highly regulated environment.	The energy sector is at the forefront of the transition, with the focus of our engagement being to support accelerated adoption of non-hydrocarbon-based power generation and reduce the carbon intensity of operations. There is a wide spectrum of targets within the sector, often driven by jurisdiction, alongside listed companies operating in well-regulated markets having the highest ambition.	Engagements with the aviation sector found near-term ambition focuses on air travel emissions intensity reduction whilst longer term net zero targets face greater uncertainties on delivery.
Action	Through our engagements with power sector clients, we've found significant inroads are being made in decarbonising electricity generation whilst scaling low carbon heating remains challenging. Increased rollout of renewable power generation remains a key lever. However, clients flag that significant grid upgrades are required to manage intermittency challenges alongside investment in nuclear generation and carbon capture to maintain baseload grid capacity.	Despite technical and commercial obstacles, good progress has been made towards near-term scope 1 & 2 reduction targets. Engagement with clients revealed key dependencies including requirements for energy security to be maintained despite geopolitical risk and increased public and private investment in renewable energy and associated technologies.	Our aviation client engagements found the sector has been investing in replacing ageing fleets with more efficient aircraft, supporting short-term emissions targets. Supply of sustainable aviation fuels (SAF) and development of technologies, such as electrification and hydrogen power flight, are required for the sector to reach net zero. We are working with companies across the SAF supply chain to support the aviation sector to decarbonise.
Accountability	Engagement with power clients found those dedicated to renewable power generation are fundamentally aligned to the net zero transition and hence, often do not feel obliged to publish standalone transition plans or establish additional climate governance. See **pages 93 to 94** on decarbonising our power portfolio.	Larger listed companies with the advanced disclosures are also those with strongest climate governance relative to smaller privately owned companies across the value chain. See **page 92** for details on decarbonising the oil and gas sector.	Aviation clients were found to have robust governance in place, with all clients assessed having board-level oversight over climate change policy and executive remuneration linked to climate. See **page 110** for details on decarbonising our aviation portfolio.

1 Power CTP assessments include generation, transmission and distribution companies.
2 Energy CTP assessments include Oil & Gas Value Chain; integrated energy companies, upstream, midstream and downstream companies, traders.
3 Aviation CTP assessments include airlines and aviation manufacturing companies.

Next steps: 2025 and beyond

- Prioritising high-impact engagements with clients where we can have the most influence, supporting those clients in the 'early stages' of transition planning through enhanced engagement based on CTP outcomes (as seen in the graph on **page 86**)
- A focus on opportunities to facilitate a real-economy transition, through green and transition finance and providing support through sustainability advisory services
- Further incorporating CTP outcomes in our decision-making processes, ensuring that insights are considered as part of business strategy decisions, and in relevant risk processes
- Further development of considerations beyond climate (nature, just transition, adaptation) in CTP framework in line with industry guidance
- Continued engagement across industry, with standard setters, data providers, peers and our clients, striving for increasing standardisation in transition planning approaches to alleviate the reporting onus corporates face

Voluntary Carbon & Nature Markets (VCNM)

We acknowledge that both the Voluntary Carbon Market (VCM) and the emerging Nature Markets can be powerful tools for the transition, when applied appropriately.

As detailed within our Credible Transition Plan assessment (for more information on our CTP process see **pages 85 to 87**), for a business to transition credibly, they need a long-term plan in place to guide their journey, with clear near-term and long-term targets. However, businesses cannot transition overnight. In the meantime, they will continue to have residual emissions, which should be reducing year-on-year, while they transition towards net zero.

This is where VCM can help, by providing companies with the option to do something to mitigate their activity right now, alongside their continuing reduction efforts. They can do so by investing in nature-based carbon credits, technological carbon removals or a combination of both. Please see **page 67** for the Group's approach to the use of carbon credits.

Beyond nature-based carbon credits, we welcome the recent growth in engagement with Nature Markets, which should benefit the UK's natural spaces. This follows policy frameworks such as Biodiversity Net Gain in England and broader initiatives like the TNFD, which have increased organisations' understanding of their nature-related impacts and responsibilities.

Participation in both markets helps to drive investment in projects that build increased resilience to the effects of climate change. Ensuring credible client participation is crucial, and we are keen to support our clients where appropriate.

This year, we updated our CTP methodology to include more granularity on VCNM participation and how this aligns with credible net zero transition plans.

We are currently exploring various products and propositions through test and learn initiatives to understand how we can support our clients' lending needs in these markets. For example, we supported the Manx Wildlife Trust to afforest an area of grassland on the Isle of Man and the SAX Exchange Market pilot (for more information on agriculture see **page 113 to 114**), which demonstrates our initial efforts in exploring credible participation and supporting our clients.

Read more here → for further information on how VCM can reduce or remove greenhouse gas emissions, and direct funds to critical areas.

"This project is estimated to sequester over 3,000 tonnes of carbon over the first 50 years, verified by the Soil Association against the UK Woodland Carbon Code. We will create high-integrity carbon credits by planting trees of the right species, in the right place; sequestering carbon and adding to the Island's biodiversity. The businesses funding the project can involve their staff and clients in the planting and visit the site anytime to see the woodland develop."

Leigh Morris
Chief Executive Officer, Manx Wildlife Trust

Our clients are already engaging with these markets on both the buy and supply sides

	Buy	Supply
Voluntary Carbon Market	The VCM provides opportunities for buyers to act now and invest in projects that reduce, avoid or remove greenhouse gases. This is especially important for hard-to-abate sectors such as heavy freight, or aviation, where alternative technologies are not yet accessible. Businesses can mitigate their activity through high-quality carbon credits (which can be technological based or nature based), allowing them to demonstrate action whilst they await technological advancements.	For suppliers, these markets offer potential new revenue streams that can: i supplement landowners' primary income sources; ii enable net zero technology projects (such as carbon capture and storage) to get off the ground, that without the carbon credit revenue generated would not be economically viable; and iii provide financial incentives for projects that support nature recovery by encouraging habitat conservation, restoration and sustainable land use.
Nature Markets	Nature Markets provide a mechanism for corporates to make investments to protect and/or restore nature. This could include enhancing habitats to aid nature recovery and support biodiversity, provide clean water and reduce flood risk.	

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Transition plan by system

Our systems

Energy transition	See page 90 →	Low carbon transport	See page 104 →
Greening the built environment	See page 95 →	Sustainable farming and food	See page 112 →

We have continued to develop system action plans, seeking to further understand the systems and interconnection between them, and support prioritisation of the actions that we can take in our role as a financial institution.

We expect these plans to continually develop as a result of changes to our external environment, improved insights and analysis. Our plans seek to support progress against associated sector targets and ambitions with the plans for each system at varying stages of maturity reflecting the differing dependences, complexities and wider external context impacting each system.

Purpose in action

UK carbon capture and storage (CCS) projects

SDG 7.2
By 2030, increase substantially the share of renewable energy in the global energy mix.

SDG 9.4
By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

Key

Link to strategy

Grow Focus Change

In December 2024, the Group supported two major UK CCS projects, Northern Endurance Partnership (NEP) and Net Zero Teesside Power (NZT Power), as part of an £8 billion financing package. The Group acted as Mandated Lead Arranger, Hedge Provider, Global Facility Agent, Intercreditor Agent and Security Trustee on both projects, in addition to Account Bank on NEP. This transaction demonstrates our stated CIB growth strategy in action through deepening client relationship on a multi product basis.

NEP, a collaboration between BP, Equinor and TotalEnergies, is a first of a kind CO_2 transportation and storage product project in the UK which is expected to store 100 million tonnes of CO_2 across the Teesside and Humber industrial regions.

NZT Power, a joint venture between BP and Equinor, involves the construction of an 742MW fully abated combined cycle gas turbine power plant, equivalent to the average annual electricity needs of over one million UK households, complete with associated carbon capture facilities, located in Teesside, UK.

Supported by the UK government's Dispatchable Power Agreement, NZT Power will deliver flexible, dispatchable, and clean power, and the capture of up to two million tonnes of CO_2 per annum, which will be stored via the Northern Endurance Partnership project.

The projects represent a significant opportunity for the UK supply chain, in particular for businesses across the north of England. The region will also benefit from the creation of thousands of jobs throughout the projects' construction and operation lives.

Northern Endurance Partnership NZT Power

Transition to net zero and protecting nature continued

Transition plan by system continued

Energy transition

System summary

UK emissions[1,2]

21.1%

Bank financed emissions[3]

1.5%

1 Sourced from Department for Energy Security and Net Zero – 2022 UK greenhouse gas emissions.
2 UK emissions from 2022 for energy supply were 85.7MtCO_2e. Total UK emissions from 2022, including energy supply were 406.0MtCO_2e for the entire UK.
3 Total Bank financed emissions are 19.7 MtCO_2e for 2023.

UK energy supply emissions · Bank financed emissions

Opportunity

£140 billion in finance is required from 2020-2030 to achieve net zero in this system[4,5].

4 Emissions for the Energy transition system relate to UK energy supply emissions including emissions from power generation and fuel supply. Total UK energy supply emissions are equal to the sum of UK energy supply emissions across all systems.
5 Estimated figures for 2020–2030, accurate at the time of publication of the CCC Sixth Carbon Budget.

Associated sector targets

- Oil and gas
- Power
- Thermal coal

Associated UK CCC 2024 progress indicators

Solar operational capacity	Significantly off track
Offshore and onshore wind operational capacity	Slightly off track
Unabatable gas share of generation	Slightly off track
Electricity use in industry share of total energy use	Slightly off track

Significantly off track · On track · Slightly off track · Too early to say

System focus

The energy transition system addresses the supply, generation, transmission, distribution and use of liquid, gas or electrical energy sources throughout society, emphasising the shift from high carbon sources towards a lower carbon integrated system.

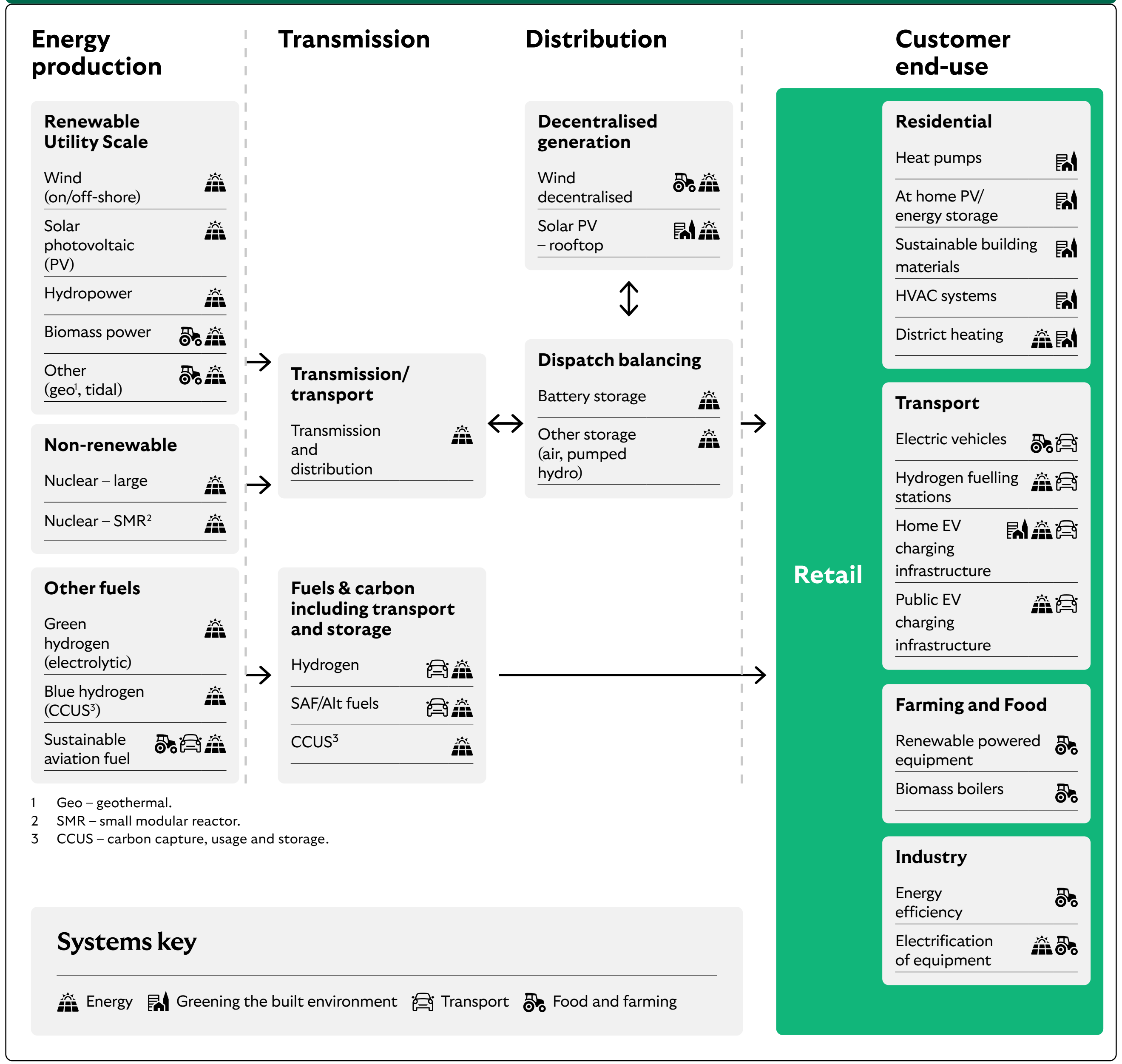
System interactions

The energy transition system underpins the other systems by supporting the substantial scaling of required energy provision and infrastructure crucial to enabling other systems to decarbonise. For example, decarbonisation of transport involves the electrification of vehicles, the development of associated infrastructure, and the expansion of generation capacity. Similarly, greening the built environment entails the adoption of low carbon heating and cooling solutions. These system interactions are illustrated in the diagram to the right. Identifying the synergies across systems is key to effective execution through consideration of risks, opportunities and dependencies for the Group, something that we will continue to develop throughout 2025.

The energy transition also has a key role to play in ensuring a just transition, providing affordable solutions for all and equitably redistributing opportunities and growth across the UK, building on our regional development approach, and in support of industrial clusters.

While supporting decarbonisation of society, the energy system also has direct and indirect impacts on nature across land and sea use change and pollution. Reducing existing impacts from energy generation and use, while minimising any new potential impacts, is key to success and links across other systems. For example, use of land for wind and solar power, avoiding potential impacts through consideration of design and location, or the use of key resources like water and raw materials.

Energy transition system interactions



1 Geo – geothermal.
2 SMR – small modular reactor.
3 CCUS – carbon capture, usage and storage.

Transition to net zero and protecting nature continued

Transition plan by system continued

System challenges

The supply of energy is central to our society and plays a critical role in providing energy security to the UK and aiding other sectors to decarbonise. Decarbonisation of energy is dependent on facilitating a transition that includes having sufficient renewable energy and network capacity, adequate generation flexibility and storage, and reductions in fossil fuel extraction over time. Policies to aid reduction are further developed than in most sectors, but still have several delivery risks with additional grid connection a priority dependency, which needs to be addressed alongside necessary planning reforms.

A further challenge is presented by the readiness of the technologies needed to be developed and deployed at the scale required. Some are more mature such as onshore wind, offshore wind and solar. There are more mature technologies requiring delivery at scale within a successful business model, such as electrification of passenger transport or domestic heating. While other technologies are moving from pilot stage to scaled delivery, examples include carbon capture and storage; hydrogen production, transport and storage; sustainable aviation fuel; and battery storage technologies. This can present challenges around more nascent business models, revenue streams and uptake, impacting the bankability and scalability of technologies.

Our actions

Our predominantly retail-focused banking activities means we do not have significant exposure to the oil and gas sector. Our strategy focuses on supporting a clean energy future for the UK, benefitting households, businesses and communities across the country. We are supporting investment in established clean technologies (such as wind and solar), while also identifying key maturing and emerging technologies vital for future decarbonisation and how to increase their bankability to unlock financing at scale.

Our oil and gas portfolio has reduced significantly in recent years, and we have set an NZBA-aligned absolute reduction target for oil and gas focusing on specific activity (see **page 92**). Our remaining oil and gas exposure now accounts for just 0.1 per cent (see **page 80**) of our Bank total exposure, a reduction of c.70 per cent since 2022, building on the direction set in previous years. This clear trajectory is underpinned by our strategy of supporting key clients in their net zero transition. Our remaining, limited exposure is with clients we plan to continue to support with their transitions, including through development of our Credible Transition Plans approach (for further details see **pages 85 to 87**). Given our low exposure, a handful of transactions may cause year-on-year fluctuations in our total exposure going forward and should be viewed in this wider context.

Government policy will be a critical enabler of success and dependency for our energy transition activities. The UK government has made positive progress with its Clean Power 2030 Action Plan and we will continue to share market insights from client interactions that help ensure policies are aligned with industry needs and can effectively mobilise capital into critical sectors for the transition. We will also follow energy policy developments in other regions where we operate as we recognise that there will be emerging regional differences.

Our net zero origination programme, which started in 2021, continues to enhance our internal capabilities to consider maturing and emerging technologies, leveraging the International Energy Agency's Clean Energy Technology Guide and Technologies Readiness Scale to identify focus areas. 85 technologies were assessed which resulted in a focus on 10 maturing or emerging commercially viable technologies, which we are actively seeking to support over the short to medium term. A key example being our support in December 2024 for Net Zero Teesside Power, which aims to be the world's first gas-fired power station with carbon capture and storage, providing flexible, low carbon power to the UK grid. For less mature technologies or first-of-their-kind initiatives, we will actively explore opportunities to work with industry and government stakeholders on viable business models, such as long-term revenue mechanisms that improve bankability and scalability of technologies, selecting the most viable projects and capturing learnings as projects develop.

As part of our efforts to increase support for net zero and transition technologies we continued our Net Zero Technologies upskilling programme in partnership with the University of Edinburgh. This programme was designed to provide the latest commercial understanding of priority technologies and their 'bankability' and enhance the capacity of second and third line teams to review financing of these technologies. Bringing the latest thinking on transition technologies to key internal stakeholders and wider colleagues across the Bank helps to provide the depth of knowledge necessary to facilitate banking of new, emerging and maturing technologies.

Industry award-winning

Recognised by Infralogic as the number one infrastructure and project finance bank in the UK for volume of transactions and value of financing in 2024.

(1 Jan 2024 – 31 Dec 2024, Loan Arranger)

Transition to net zero and protecting nature continued

Transition plan by system continued

Oil and gas

The oil and gas sector plays an important role in providing energy security to the UK and its decarbonisation is critical to limiting global warming to 1.5°C.

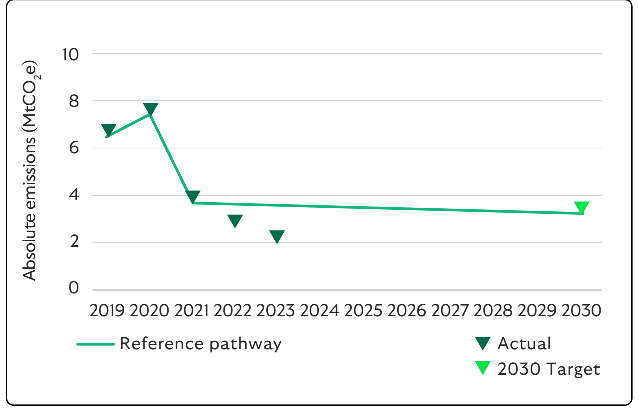
See **pages 90 to 91** for details of this system.

Target

Reduce absolute drawn financed emissions (scope 1, 2 and 3) by 50 per cent by 2030 from a baseline of 6.4MtCO_2e in 2019 to 3.2MtCO_2e in 2030, based on the IEA NZE scenario[1].

In our oil and gas portfolio we originally set a target to reduce absolute emissions by 50 per cent by 2030 to 3.9MtCO_2e from a baseline of 7.8MtCO_2e in 2019. The 2019 portfolio baseline, and emissions reported for each year thereafter, were restated during the reporting period, and emissions have decreased by c.18 per cent against this baseline, to 6.4MtCO_2e. Reductions were driven primarily due to updates made to a client's scope 3 emissions data during the year, impacting the baseline and subsequent reporting periods. As a result, alignment to the same 1.5°C scenario pathway requires a 50 per cent reduction to 3.2MtCO_2e in the same period.

Oil and gas absolute emissions reduction 2019 to 2030[2]



Progress update

At year-end 2023, we had reduced financed emissions by c.70 per cent from the 2019 baseline of 6.4MtCO_2e, reaching 2.0MtCO_2e, driven by both a reduction in drawn balances and a reduction in reported client emissions.

We continue to strategically refinance our portfolio away from direct financing of oil and gas projects towards transition technologies including renewable energy generation.

Risks and dependencies

Key dependencies for this sector include the requirement for energy security to be maintained despite geopolitical risk; and for increased public and private investment in renewable energy and associated technologies. In that context, our focus is on supporting our clients to accelerate the adoption of non-hydrocarbon-based power generation and reduce the carbon intensity of their operations.

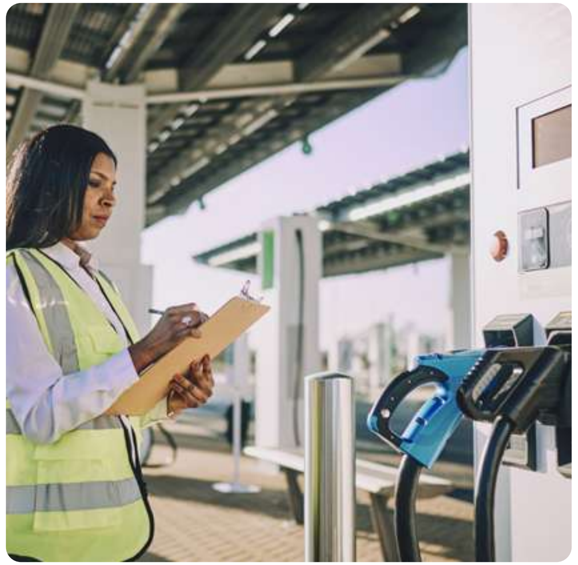
Engagement strategy

As part of our commitment to supporting the transition to a more sustainable, low carbon economy, we are engaging with existing clients to support them to establish credible and impactful transition plans. In 2023, we undertook initial CTP assessments across our full portfolio of large-scale oil and gas-producing clients and continued to engage with clients throughout 2024. Details of the Credible Transition Plan assessment approach is described on **pages 85 to 87**.

Implementation strategy

The IEA report 'Net Zero by 2050 – A Roadmap for the Global Energy Sector' is clear that no new oil and natural gas fields approved after 2021 are needed to maintain a Paris-aligned decarbonisation pathway to net zero.

As such we will not provide direct financing (either via project finance, or reserve-based lending) of new greenfield oil and gas developments (fields which did not receive Oil and Gas Authority approval before the end of 2021). We will only provide financing to new clients in the oil and gas sector if it is for viable projects into renewable energies and transition technologies, and clients have Credible Transition Plans at the point of onboarding. We regularly review our financing appetite, and our latest position is detailed in our external sector statements which is available in our sustainability downloads →



50%

oil and gas absolute emissions reduction ($MtCO_2e$) between 2019 and 2030

1 The International Energy Agency Net Zero Emissions 2050 (IEA NZE 2050) as defined in our sustainability metrics basis of reporting 2024 which is available in our sustainability downloads →

2 For our absolute targets we display the forward looking year on year reduction required from the Scenario Pathway as our Reference Pathway, as the scale required for the country or global level Scenario Pathway would make our reference pathway unreadable.

Power

Companies in the power sector generate electricity from fossil fuels, nuclear or renewable sources.

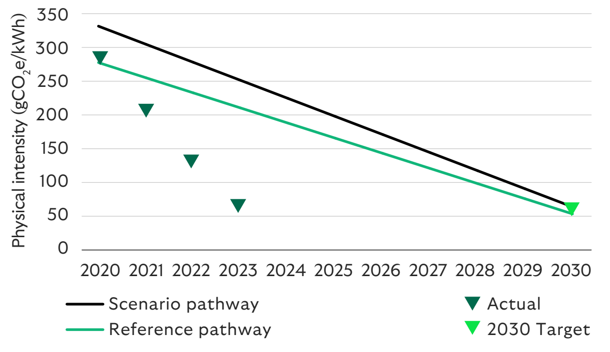
Scale-up of low carbon electricity generation is critical to enable other sectors to transition e.g. supporting electrification of heating and transport. In 2024, wind became the largest source of electricity generation for the first time, accounting for 30 per cent. Additionally, for the first time, renewables generated over 50 per cent of our electricity for four consecutive quarters[1].

See **pages 90 to 91** for details of this system.

Target

We have set a target to reduce emissions intensity (scope 1 and 2) by 81 per cent by 2030 from a baseline of 276gCO_2e/kWh in 2020 to 53gCO_2e/kWh by 2030, based on the IEA NZE scenario.

Power emissions intensity reduction 2020 to 2030



Progress update

At year-end 2023, we had reduced the emissions intensity of our power portfolio by 80 per cent from the 2020 baseline of 276gCO_2e/kWh, reaching 54gCO_2e/kWh. The reduction in intensity between 2020 and 2023 is driven by reduction in exposure to higher intensity projects or clients coupled with increased lending to renewable projects.

Risks and dependencies

Government policies in UK and Europe remain a key dependency, as they drive the forward strategies of our clients. In December 2024, the government published 'Clean Power 2030 Action Plan' which outlines the focuses on transforming the UK's energy sector by investing in a variety of clean energy sources and setting ambitious targets for technologies including offshore and onshore wind, solar and nuclear. Energy is central to the European Union's transition towards climate neutrality by 2050, in line with the European Green Deal. We expect policies to support the growth and investment in renewables and other technologies to facilitate the decarbonisation of energy production. At the same time, energy security remains a high priority. Delivery risks should not be underestimated. These include competition for transactions, supply chain risks, availability and affordability of critical components/metals and availability of skilled resources. Alongside this, retrofitting of grid improvements to enable flexibility and interconnections will also be crucial.

Engagement strategy

We have engaged with clients on their transition to net zero, including an expectation that clients' carbon reduction goals will be aligned with scenarios limiting global warming to no more than 1.5°C and will not over-rely on offsetting to achieve their target (i.e. beyond 'hard-to-abate' residual emissions). In 2023, we completed the initial CTP assessments for our clients in the power and utilities sector. See **pages 85 to 87** for further details on our CTP assessments.

We will require existing clients in the power sector to demonstrate they are transitioning to net zero and we will provide no new lending/renewal of limits to clients unable to evidence this by the end of 2025. As part of our Powering Past Coal Alliance (PPCA) commitments, we no longer provide financing to clients that have an annual revenue greater than 20 per cent derived from thermal coal generation and we aim to exit any remaining client which operates thermal coal facilities outside the UK by 2030.

81%

power emissions intensity reduction (gCO_2e/kWh) between 2020 and 2030

Implementation strategy

We aim to play a leading role in financing the decarbonisation of the power sector this decade, including financing solar, carbon capture, onshore and offshore wind and other low carbon technologies.

1 Britain's Electricity Explained: 2024 Review →

Purpose in action

British Solar Renewables (BSR)

British Solar Renewables

BSR is a leading renewables energy developer with a fully integrated platform, taking sites through development, construction and into operation. BSR was acquired by ICG Infrastructure in July 2022, and since then, ICG Infrastructure has helped support the growth of BSR alongside the management team.

In June 2024, BSR closed its first portfolio financing, putting in place a £54 million Capex Facility, with the Group acting as Mandated Lead Arranger, Hedge Provider, Agent and Security Trustee. This portfolio is part of BSR's extensive pipeline of solar PV and battery energy storage systems (BESS) projects that BSR will deliver, build, own and operate. As well as being a developer, long-term owner and engineering, procurement and construction contractor, BSR will deliver operations and maintenance and asset management to the projects.

The portfolio comprises five (124MW), built or in build co-located solar, BESS and standalone solar assets in the UK and Australia, with a combined solar generation of 132GWh annually, capable of providing enough energy for over 30,000 households. The assets will benefit from contracted revenues earned from Contracts for Difference, utility and corporate Power Purchase Agreements.

BSR's Michael Ozersky, CIO, commented: "I'm very proud of this significant milestone as we continue to grow, build long-term relationships with key stakeholders and create value for our shareholders."

ICG's Paul Leveque, Associate Director, Infrastructure Equity, commented: "We are thrilled to see BSR secure a new debt facility to support the development of renewable projects across UK and Australia. As the majority shareholder, we are proud to be part of the energy transition and support their efforts towards a sustainable future"

James Taylor, Head of Infrastructure and Project Finance at Lloyds Bank, said: "We're pleased to build on our strong relationship with ICG, and proud to support British Solar Renewables with a financing platform to unlock their pipeline of renewable assets. We're impressed by BSR's commitment to contribute to the UK's transition to net zero; their aims align perfectly with ours, and we look forward to strengthening our partnership with them at this exciting point in their journey."

SDG 7.2
By 2030, increase substantially the share of renewable energy in the global energy mix.

Key

Link to strategy

Grow Focus Change

Thermal coal

We recognise the urgent need for the global transition away from thermal coal to renewable energy sources. Keeping the Paris Agreement alive means that use of unabated coal power must be phased out.

The UK government's definition of 'unabated coal' power generation refers to when technologies, such as carbon capture and storage, which can mitigate emissions from coal, are not in use. In November 2021, we joined the PPCA, a coalition of national and sub-national governments, businesses and organisations working to advance the transition from unabated coal power generation to clean energy.

Our direct lending activity complies with the PPCA principles and we have committed to a full exit by 2030 from all diversified energy entities that generate energy from thermal coal and diversified mining entities that operate thermal coal facilities. We do not provide insurance for the power industry and we do not have policies in place for advisory services or underwriting activity that cover PPCA-related activity.

Target

Full exit by 2030 from all diversified energy entities that generate energy from thermal coal and diversified mining entities that operate thermal coal facilities.

See **pages 90 to 91** for details of this system.

Implementation strategy

In 2023, we successfully met our target of a full exit of thermal coal power in the UK and we no longer provide direct lending to clients that operate UK coal-fired power stations. This demonstrates good progress towards our target of exiting all diversified energy entities that generate energy from thermal coal by the end of 2030.

To aid achievement of our remaining targets, we will not provide finance to diversified mining entities that do not have a commitment to phase out all remaining thermal coal mining by 2030 and diversified energy entities that do not have a commitment to phase out all remaining thermal coal generation by end of 2030.

We may provide finance to entities towards reducing their thermal coal portfolio (including decommissioning facilities or retrofitting of existing facilities to help them transition away from thermal coal), in line with our 2030 phase-out timelines noted above. However, we will not directly finance retrofit activities that prolong the life of existing thermal coal facilities.

We will continue to prioritise renewable energy alternatives over traditional, carbon intensive methods.

Additional restrictions on thermal coal financing are outlined in our external sector statements, which are available in our sustainability downloads →

Greening the built environment

System summary

UK emissions[1,2]

16.8% | 9.5%

Bank financed emissions[3]

27.4%

1 Sourced from Department for Energy Security and Net Zero – 2022 UK greenhouse gas emissions.
2 UK emissions from 2022, including energy supply were 106.6 $MtCO_2e$ for built environment. Total UK emissions from 2022, including energy supply were 406.0 $MtCO_2e$ for the entire UK.
3 Total Bank financed emissions are 19.7 $MtCO_2e$ for 2023.

UK sector emissions · UK energy supply emissions · Bank financed emissions

Opportunity

£109 billion in finance is required from 2020-2030 to achieve net zero in this system[4].

4 Estimated figures for 2020–2030, accurate at the time of publication of the CCC Sixth Carbon Budget.

Associated sector targets

- Homes
- C&RRE

Associated UK CCC 2024 progress indicators

Number of heat pumps installed	Significantly off track
Residential and non-residential energy demand	On track
Households receiving energy efficiency measures	Significantly off track

Significantly off track · On track · Slightly off track · Too early to say

System focus

The built environment is a material and complex system that includes residential owner-occupied, buy-to-let landlords, housebuilders, social housing and commercial real estate clients that have both residential and non-residential properties in their portfolio. We aim to accelerate our financed participation in the construction, retrofit and operation of the UK's residential and commercial buildings towards net zero, and materially enhance resilience against the physical impacts of climate change.

Given the size of the challenge to the UK this is a multi-year ambition, with retrofit the primary focus as well as energy efficient new builds.

System interactions

The energy system is intrinsically linked to decarbonisation of the built environment with decarbonisation of electricity, both onsite and via the grid, a critical enabler alongside a switch away from gas boilers to lower carbon heating alternatives such as heat pumps to tackle the share of building emissions associated with non-renewable heating. There are also strong interactions with nature for example through the UK government Biodiversity Net Gain (BNG) requirements. We continue to enhance our understanding of the material impacts and dependencies in this system. There are further interactions with our broader sustainability focus area of supporting access to quality and affordable housing (see **page 22**).

System challenges

80 per cent of buildings in the UK which will be occupied in 2050 already exist[5], making the retrofit challenge a priority to achieve net zero. As such, the most significant external dependencies on policy are centred on the need to improve the economics of retrofit to drive its uptake across all customers at scale. In addition, there is a need for robust low carbon standards for new builds to avoid future emissions and the need for further retrofit to address these. There are further challenges to consider around consumer behaviour and an adequate supply chain, including the need for a skilled workforce to support retrofit at scale.

These challenges are reflected in the CCC July 2024 Progress Report showing a lack of progress for heat pump installations and energy efficiency measures uptake, which our sector targets have significant dependence upon. It is worth noting that there have been positive policy signals already announced from the new government, including increased funding for specific retrofits and minimum EPC standards for private and social rented homes. These will support the transition to net zero including a focus on supporting low-income households and the private rented sector as part of this, which links closely to our mission to improve access to quality and affordable housing (see **page 14** for more detail).

5 UK Green Buildings Council Climate Change Mitigation →

Progress against CCC policy recommendations

Progress against key policy recommendations from the CCC, which are the most material dependencies in our emission reduction strategies, show limited progress and are summarised below.

Description	Status
Timely prohibition of fossil fuel boiler replacements in off-gas grid buildings and associated regulatory mechanism.	No progress
Finalising and implementing plans to require privately rented homes in England and Wales to reach EPC C by 2028.	No progress
Setting out a clear process and governance framework for delivering credible, coordinated energy planning across local, regional and national levels.	Moderate progress
Affirming electrical heat as the default option in all new buildings and existing properties off the gas grid; prohibiting connections to the gas grid for new buildings from 2025 and clarifying the government's position on the economy-wide priority of use-cases for hydrogen.	Some but insufficient progress

Our actions

To date, our key areas of focus have included providing tools to educate our customers on the benefits of transitioning and providing them with incentives and support to do so via partnerships, products and propositions. We have also been engaging on policy developments.

Moving forward we seek to enhance and build on this activity by utilising the insights gained to date to support the development of future activity, with prioritised areas of focus as below:

01 Continuing to enhance our data capability across the built environment, supporting activity across commercial and residential properties and infrastructure, and supporting buildings within our Agriculture system. This will enable a more detailed understanding of risks and impacts across the system to target actions more effectively.

02 Identifying new finance models to support customers and make retrofit more affordable over the long term, learning from and building on our existing propositions and wider industry activity such as the £500 million National Wealth Fund guarantee for social housing.

03 Enhancing customer education that supports customers in understanding options available to make properties more efficient.

04 Encouraging the development of policy framework to facilitate retrofit at scale. This is a critical focus to unlock the progress needed.

05 Unlocking skills through our participation in industry-leading skills and diversity initiatives (see **page 23** for more detail) as current skills and capabilities are nationally insufficient to deliver retrofit and new build at the scale required.

Homes

To achieve the UK's commitment to net zero by 2050, decarbonising buildings is key.

Buildings are among the UK's largest sources of emissions, highlighting the urgent need to improve the energy efficiency of the nation's housing stock. The UK faces significant challenges, including the need to modernise some of the oldest and least insulated homes in Europe, all while grappling with rising energy costs.

As the UK's largest mortgage lender, we recognise our unique role in guiding customers towards a net zero future. By educating our customers on energy efficiency and aiding in emission reduction, we can make significant strides. As outlined in the systems interactions section on **page 95** achieving net zero is a collective endeavour. Collaboration with the government, other financial institutions and industry is crucial to unlocking this potential.

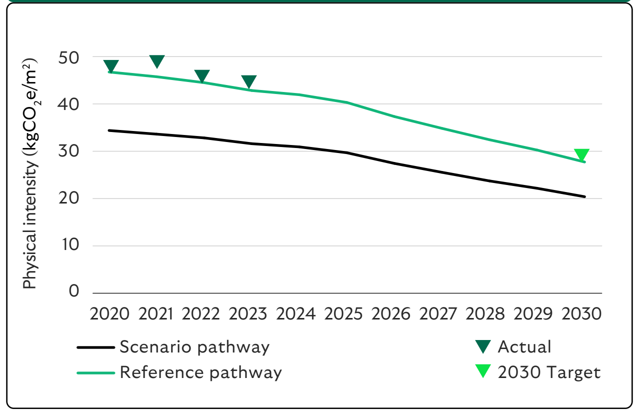
41%

UK residential mortgages emissions intensity reduction (kgCO_2e/m^2) between 2020 and 2030

Target

In 2022 we published a UK Climate Change Committee Balanced Net Zero Pathway (CCC BNZP)-aligned target, requiring a 41 per cent reduction in financed emissions intensity by 2030 (against a 2020 baseline – scope 1 and 2 emissions). This equates to 28kgCO_2/m^2 by 2030, down from 46kgCO_2/m^2 in 2020.

UK mortgages financed emissions intensity reduction 2020 to 2030



Progress update

In 2023, the financed emissions intensity of our mortgage portfolio reduced c.3 per cent compared to 2022. However, this fell short of our reference pathway expectation by approximately 1 per cent. It's important to note that the decarbonisation of the mortgage portfolio in line with the CCC BNZP scenario is heavily reliant on significant external changes and policy intervention, such as grid decarbonisation. Without these factors, our capacity to reduced financed emissions remains constrained.

Purpose in action

Effective Home

SDG 7.3
By 2030, double the global rate of improvement in energy efficiency.

SDG 13.3
Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

Key

Link to strategy

Grow

In July 2024, we expanded our partnership with Effective Home to include loft and cavity wall insulation. This addition complements our existing solar panel partnership with Effective Home and our heat pump partnership with Octopus. By collaborating with accredited installers, we aim to remove the barrier of finding trusted suppliers for customers. This partnership expands our retrofit offerings, providing a more comprehensive solution for homes decarbonisation.

Through our Halifax Green Living Hub and Lloyds Eco Home Hub, customers can fill out Effective Home's online form to determine eligibility for insulation. Effective Home will also check for grant funding eligibility, before proceeding to the survey stage. Loft insulation suitability can be assessed remotely, while cavity wall insulation requires an in-person visit. A personalised plan detailing the installation approach and cost is then produced. For those who proceed, an in-person technical survey is conducted, and Effective Home arranges the installation, which can be completed within one working day. Effective Home also assists customers with registering insulation with Quality Mark.

Energy bill savings from insulation measures depend on the home and insulation type. For example, topping up a partially insulated loft with 270mm of loft insulation could save up to £270 and 700kg of carbon dioxide annually. Insulation can also help maintain a comfortable temperature year-round, making houses cooler in the summer and warmer in winter.

Customers who install insulation via the Group and Effective Home scheme will be eligible for the government grant finder service. Additionally, eligible Halifax and Lloyds mortgage customers can access £500 cashback towards the cost through our existing Green Living Reward/Eco Home offer.

Transition to net zero and protecting nature continued

Transition plan by system continued

Implementation strategy

Achieving net zero requires collective action due to the complex challenges across the residential sector. We recognise our pivotal role in facilitating this transition and supporting customers. Our strategy is twofold: increasing customer awareness of the benefits of transitioning and developing products that encourage necessary actions.

To support customers, whether they are purchasing a new home or retrofitting their existing home, we have expanded our partnerships with industry. In 2024, we achieved a significant milestone by surpassing our ambition of lending £10 billion for EPC A and B rated properties between 2022 and 2024, exceeding the target by £1.4 billion. Building on this success, we aim to provide an additional £11 billion in EPC A/B lending by 2027.

Our commitment extends beyond incentivising energy efficient purchases, as we recognise the challenge of retrofitting our existing housing stock to meet net zero standards. To address this, we are enhancing our propositions to support customers in retrofitting, including partnering with trusted installers to simplify the process and collaborating across the industry to explore ways for customers to access affordable and long-term funding for energy efficient improvements to buildings.

Examples of our activities include:

Expanding our partnerships – Our partnership with Effective Home now supports customers seeking both solar panels and batteries, as well as insulation, removing the barrier of finding trusted, accredited suppliers. Additionally, our partnership with Octopus Energy continues to offer air source heat pumps to UK households, supporting the decarbonisation of domestic heating. Through these partnerships, we provide customers with additional financial incentives, such as up to £1,000 discount on solar panel and batteries (which could be claimed on top of Green Living Reward), for which we expanded eligibility to open market.

We have further developed our **Halifax Green Living Reward** and **Lloyds Bank Eco Home Reward**, enabling eligible customers to claim up to £2,000 cashback for a heat pump, £1,000 cashback for solar panels and/or a battery, or £500 for other eligible energy efficient home improvements. We've increased the financial incentive, which is now enduring, expanded eligibility to customers who apply for their mortgage via an intermediary, and simplified the digital journey for customers to claim these rewards.

Additionally, we've partnered with chartered surveyors e.surv to offer free EPC assessments to customers who have successfully claimed the cashback reward, fostering greater consumer awareness of the energy efficiency benefits of their chosen retrofit measures. Engagement with and uptake of the offer have consistently maintained momentum. Previous iterations of the proposition had application windows of 6-12 months, and during these periods, we successfully provided over 3,500 customers with a cashback reward.

We have also introduced **EPC-linked affordability** to better reflect energy bill costs in our affordability calculations.

Our online **Home Energy Saving Tool**, developed in collaboration with the Energy Saving Trust, continues to be a key engagement technique, providing customers with an interactive experience to generate a personalised plan for their home, identifying where energy efficiency improvements can be made. We've enhanced the Birmingham Midshires customer journey following the expansion of the Home Energy Saving Tool to this brand last year. Since launch, over 50,000 action plans have been generated.

We offer a wealth of material available on our Halifax and Lloyds hubs and have been working with our intermediaries business to engage brokers on sustainability and available products. Our Broker Education activities include thought leadership articles

1 £11.4bn covers the period from January 2022 to September 2024.

such as 'Let's Get Retrofit for the Future' → as well as network engagements featuring podcasts and webinars on sustainable homes. Additionally, we've conducted face-to-face workshops and participated in industry events focused on retrofit discussions, all aimed at educating brokers on the importance of sustainability. We are continuing our green home events programme into 2025 with the Energy Saving Trust, focused on educating brokers on sustainability and how to talk to clients about the benefits of green products and propositions.

In collaboration with the Green Finance Institute and NatWest Group, we have explored an alternative way for customers to access affordable and long-term funding for energy efficient improvements to buildings, by linking the finance to the property rather than the owner. Property Linked Finance (PLF) could provide an additional tool and incentive to bridge the current investment gap in decarbonising the UK's housing stock. This report 'A greenprint for Property Linked Finance in the UK' → outlines the potential for this innovative financial solution.

Transition to net zero and protecting nature continued

Transition plan by system continued

Risks and dependencies

Dependencies
Our ambition to achieve a 41 per cent reduction in financed emissions intensity by 2030 underscores our commitment to lowering the emissions of properties within our mortgage portfolio. However, reaching this ambition requires collective action from a diverse group of stakeholders, including government and broader industry.

To progress at the pace required to reach our 2030 ambition we are dependent on several key areas including:

- Decarbonising the electricity grid, the largest expected contributor to UK housing emission reduction by 2030
- Increasing public awareness to encourage behavioural changes which are crucial to drive the level of adoption required to decarbonise the UK housing stock
- Strong government and market incentives, supported by a robust retrofit supply chain to enable residential owner-occupied and buy-to-let customers to retrofit their properties
- Continued support for the supply and quality of energy efficient new build properties to ensure availability of high standard homes
- Growth in uptake of low carbon heating, addressing higher cost of electricity compared to gas, which may make technologies such as heat pumps less economically attractive due to higher running costs

Risks
While we continue to make progress in reducing our financed emissions intensity from the 2020 baseline, there is still a substantial amount of future abatement which either lacks policies or depends on policies which are not ambitious enough or carry significant risks. We are beginning to see a divergence from our pathway ambitions due to aforementioned dependencies, underscoring the need for more robust and decisive action. To ensure continued progress in reducing emissions, it is vital to drive action in the key areas mentioned above. Furthermore, enhancing data quality and availability is crucial to support these initiatives.

Decarbonisation of the electricity grid
- Escalating geopolitical tensions may threaten oil and gas exports. This situation may lead to price volatility in the UK and hinder ongoing investments in decarbonisation efforts

Greater public awareness of energy efficiency
- Many UK properties lack a valid EPC, and existing EPCs often don't reflect actual energy consumption or recent retrofits, making it difficult to engage customers on energy efficiency
- These EPC shortcomings hinder our ability to accurately report on the emissions of homes in our portfolio and don't allow us to track changes in customer demand for energy
- While commitments made by the government in relation to decarbonising residential homes – such as the pledge to consult on reinstating proposed BTL EPC C Minimum Energy Efficiency Standards in the private rented sector – represent an upgrade in ambition, there is an opportunity to further accelerate the transition to net zero. As highlighted by the CCC, it is essential that the government implements ambitious policies that align with net zero standards and provide greater policy clarity. This will enable businesses and consumers to confidently prepare for the transition

Strong government and market incentives
- The CCC July 2024 Progress Report notes that government-funded energy efficiency measure installations are not increasing as expected. There is also a significant data gap covering installations outside these schemes
- Consumers still face numerous barriers such as a lack of awareness about retrofit benefits and the retrofit process itself, including the need for trusted suppliers. Additionally, the short-term costs of retrofitting may not sufficiently offset the long-term financial benefits, creating further obstacles

Energy efficient new build properties
- To date we have seen a contraction in new build properties; if this trend continues it may result in limited access to high-quality sustainable housing
- While the government has announced an ambitious target of delivering 1.5 million new homes by the end of the parliament, it is important to ensure these homes are built with low carbon heating systems and high energy efficiency standards. This will help minimise the need for future retrofitting
- Overall, the aggregation of multiple risks, including those called out above is making it challenging for our customers to act. The slow adoption of energy efficient measures highlights the need for continued innovation to drive widespread action. Without this progress, achieving our net zero target will become increasingly difficult

Transition to net zero and protecting nature continued

Transition plan by system continued

Engagement strategy

We are engaging on our policy asks through multiple channels including hosting roundtable events and one-to-one meetings with MPs, peers and policy advisers to discuss and garner advocacy and support for our proposals. We continue to ensure MP constituency factsheets are updated with our core policy asks to help ensure our key messages are clear, understood and considered.

We are committed to achieving a net zero mortgage portfolio as outlined in our ambition. However, we recognise that robust government support is essential to accelerate progress and build momentum. Our net zero pathway depends on several external factors, as outlined earlier in the report, which require government intervention, and regulatory and policy support to create the right conditions for this transition. Our strategic approach includes ongoing advocacy for policy changes that will facilitate the journey to net zero, highlighting the critical role of government support in achieving our ambition.

Just transition

To effectively support the transition to net zero, we must consider the needs of various groups including vulnerable and low-income households. Our products and services cater to a wide range of customer segments, and we aim to ensure our educational materials highlight actions that can be taken at different investment levels. Where applicable, we direct customers to specific government grant schemes that can help cover the costs of some retrofit measures.

To make energy efficient home improvements more accessible, we've expanded eligibility of incentives on retrofit measures via our partnerships so all customers beyond those in our Homes portfolio, and even periodically beyond the Group, can benefit. For example, in November 2024, we ran an open market campaign offering £1,000 off installation of solar panels via our partnership with Effective Home to any eligible homeowner, whether our customer or not. We have also introduced EPC-linked affordability to better reflect energy bill costs in our affordability calculations.

We've also introduced offers for our colleagues, allowing them to benefit from discounts on retrofit measures installed by our accredited partners. Additionally, we ran colleague competitions to award a select number of colleagues access to free solar panels and insulation via our accredited partners, creating 'sustainability pioneers' from whom we can learn about their experiences and inspire our colleague base. We recognise that more needs to be done to ensure a fair transition for all, and we welcome any funding for research and development in green technologies to make retrofitting affordable for the broader market.

In November 2024, we convened multiple strategic partners across the housing market to share key priority areas for the housing industry, including the focus on sustainability. This collaboration event represented a unique opportunity for the retail and corporate teams to bring together a mix of stakeholders from across the housing sector. Attendees included builders, mortgage advice firms, housing associations, trade bodies and other key groups who are crucial in supporting the sustainability ambitions of the UK housing market. We won't stop here: we are keen to keep momentum going, and together strive to make the idea of a better, more sustainable housing market a reality.

See **page 95** for an overview of this system.

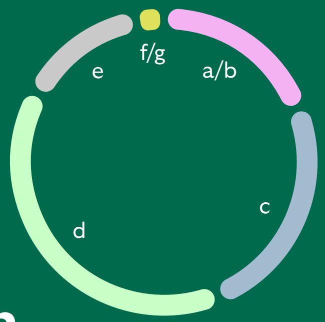
Total mortgage lending value of known EPCs

For the EPC distribution by lending value for the mortgage book please see page 176 of the annual report and accounts 2024 →

The split between residential and buy-to-let mortgages is shown below for properties with known EPCs:

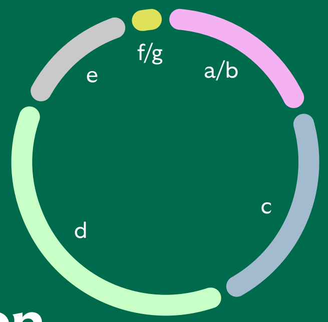
Residential mortgages

2024
A/B. 19%
C. 25%
D. 39%
E. 14%
F/G. 3%



£207.1bn

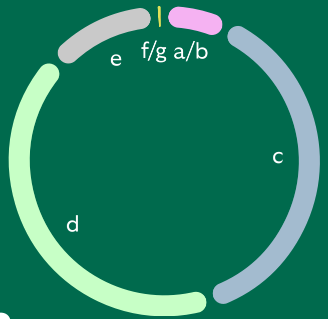
2023
A/B. 19%
C. 24%
D. 38%
E. 14%
F/G. 4%



£204.3bn

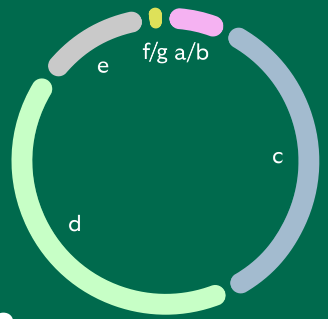
Buy-to-let

2024
A/B. 7%
C. 38%
D. 42%
E. 12%
F/G. 1%



£40.6bn

2023
A/B. 7%
C. 36%
D. 43%
E. 13%
F/G. 1%



£40.8bn

Transition to net zero and protecting nature continued

Transition plan by system continued

C&RRE

Commercial and residential real estate sector

Decarbonising existing buildings will be achieved primarily through retrofitting buildings to improve energy efficiency and replacing fossil-fuel heating systems with low carbon equivalents. At year-end 2023 our drawn lending to this sector was £20.1 billion, making decarbonisation of the commercial and residential real estate sector a priority for us.

In 2025 we are expanding our collaboration with CFP Green Buildings, and the Green Buildings Tool, to improve the accuracy of client emissions assessments.

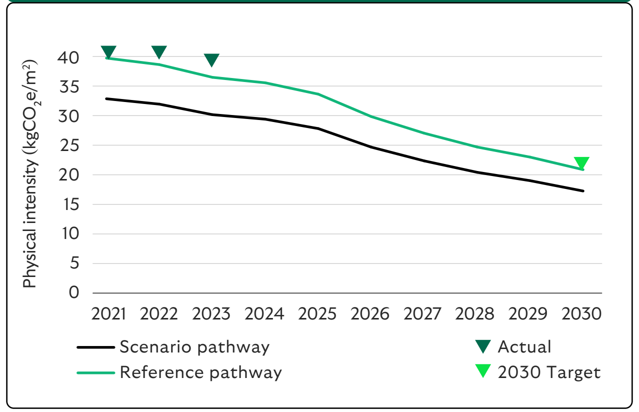
48%

C&RRE emissions intensity reduction ($kgCO_2e/m^2$) between 2021 and 2030

Target

Last year we developed a 2030 target for our Commercial Banking C&RRE portfolio based on the 1.5°C aligned balanced net zero pathway of the Climate Change Committee. Based on our baseline portfolio composition, it requires an average reduction in emissions intensity of 48 per cent between 2021 and 2030, reducing our 2021 absolute emissions from $39kgCO_2e/m^2$ to $21kgCO_2e/m^2$. The 2021 portfolio baseline and subsequent years have been restated. The portfolio baseline has moved from $45kgCO_2e/m2$ to $39kgCO_2e/m^2$, driven by improved matching and estimates of property types which have different emission intensities.

C&RRE emissions intensity reduction 2021 to 2030



Progress update

From 2021 to 2023 the emissions intensity of the C&RRE portfolio reduced by 3 per cent, from $39kgCO_2e/m^2$ to $38kgCO_2e/m^2$, driven by a slight shift towards social housing assets which are lower emission intensity and some improvement in EPC ratings. Increased annual emissions intensity percentage reduction will be required in the future (recognising reduction will not be linear) and the CCC BNZ pathway is heavily reliant on policy (e.g. minimum EPC standards) and low carbon heat adoption.

Implementation strategy

Given its materiality both to the UK and the Group, commercial and residential real estate is a crucial sector to decarbonise to meet net zero ambitions. Our clients' adoption of low carbon heating (LCH) will have the single most significant effect on achieving our ambition. We have developed a suite of lending propositions to support our clients to build, refinance and acquire green buildings, as well as to retrofit their existing buildings. Funding the transition will continue to be a key focus in 2025. Alongside a supportive policy environment, developing products and propositions which incentivise and support our clients to adopt LCH and retrofit assets to improve energy efficiency will be critical.

We are dedicated to helping the sector understand emissions and have continued to develop our Green Buildings Tool (GBT), a free digital insights calculator which helps clients assess and create a business case for improving the energy efficiency of their buildings. In 2024 we expanded the use of our ESG Tool (see **page 128**) to include more specific questions aimed at understanding our clients' transition journey, including actions taken so far.

We continue to work in partnership with industry bodies to support the transition and in 2024, became the only financial institution to be Organisational Programme Partner of the UK Green Buildings Council with active participation across all workstreams. We also continue to be an anchor supporter and board member of Sustainability for Housing, the number 1 sustainability reporting standard in UK Social Housing and the NextGeneration sustainability project and core standards for SME housebuilders and developers. Our efforts in the sector were recognised through the Property Week RESI Award for Large Financier of the Year and Real Estate Capital's award for Sustainable Finance Provider of the Year: Europe. See **page 22** for further details on our ongoing support for sustainability reporting standards for social housing and housebuilders.

Transition to net zero and protecting nature continued

Transition plan by system continued

Risks and dependencies

Decarbonisation of this sector is heavily dependent on clients adopting low carbon heating. As highlighted in the system introduction, the CCC highlights the UK is not retrofitting buildings fast enough ('Red' on Sixth carbon budget progress). Therefore, the transition of this sector has a critical dependency on accelerated policy action. Although the new government has signalled a policy shift in the progressive direction, decarbonisation of this sector will need a further acceleration in public policy, including on LCH installation, mandatory energy efficiency improvement, training of installers and the economics of retrofit and LCH.

Internally, there are several data challenges including quality and completeness. In 2024, we looked to address these by investing in the functionalities of the GBT and other internal data sources. As we recognise that EPCs (the most commonly available data source) do not always provide an accurate view of a building's actual energy consumption, we are investigating alternative assessment models. EPCs are also limited to estimating regulated energy use only (from space and water heating, lighting and ventilation), and therefore we need to estimate unregulated energy use (based on information from the government's Building Energy Efficiency Survey). The need for widespread improvements in emission measurements for buildings is well recognised, with metered energy use being a future opportunity to improve accuracy, subject to data being made available.

Just transition

Improving the energy efficiency and rollout of low carbon heating in commercial and residential buildings brings benefits beyond the environment because of more comfortable conditions and manageable energy bills, which in turn has the potential to support economic growth, enhance social development and help build wealth. To support a just transition, it is essential that energy efficiency rollout reaches across society, including the fuel poor and lower income households. Our partnership with the National Wealth Fund is one initiative that supports these homes (see **page 20** for more details).

Our consultations with the industry have highlighted a need to make this sector more attractive to reduce the skills gap in the market as well as upskill those within it. We have been supporting the industry in addressing this through our long-standing partnership with Regeneration Brainery as well as Real Estate Balance (for more details see **page 23**).

Engagement strategy

We continue to engage in policy advocacy both independently and through our affiliation with industry. Through our Credible Transition Plan activity, we continue to engage with our most material clients by the end of 2025 on their transition to net zero, including an expectation that clients' carbon reduction goals will be aligned with scenarios limiting global warming to no more than 1.5°C. In 2024, we have integrated nature and environment questions in our ESG Risk Tool for our CIB and medium corporate clients (more details on **page 128**).

Engagement strategy

We also continue to engage government as its support is required to build further momentum and awareness. We have developed our engagement strategy to several areas, including:

01 Policy and regulatory clarity for a clear trajectory for direct regulatory levers and critical indirect dependencies (including energy market reform, and decisions on the future heating mix, e.g. hydrogen, heat networks).

02 Emissions measurement: through improved EPCs and real time energy use.

03 Skills and labour supply, to boost skills availability in the supply chain.

04 Access to expertise to improve provision of advice for building users and facilitate their transition.

05 Availability of feasible financial mechanisms to implement financial incentives for improving energy efficiency and/or installing low-carbon heating systems.

Purpose in action

Great Portland Estates Sustainability-Linked Loans

SDG 11.4
By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

SDG 15
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Key

Link to strategy

Grow

Credit:
GPE: 30 Duke Street, St James's

In 2024, Lloyds Bank acted as sole sustainability coordinator on a £150 million sustainability-linked syndicated Revolving Credit Facility to Great Portland Estates (GPE), a leading UK real estate company with a sophisticated sustainability strategy. The £150 million of sustainability-linked lending is aligned to GPE's sustainability 'Statement of Intent – The Time is Now v 2.0'.

GPE's strategy focuses on:

- Integrating climate resilience
- Decarbonising the business by 2040
- Putting health and wellbeing front and centre
- Creating a lasting positive social impact in its communities

These key performance indicators included improving the energy efficiency intensity and embodied carbon of its portfolio in addition to increasing biodiversity net gain in operational areas on and around GPE's estate, which is over and above what is mandated under law.

"It was great to work with Raj Jayaprakash, Director of Corporate Real Estate at Lloyds Bank, alongside the GPE team to structure a financing that rewards the achievement of an impressive commercial real estate sustainability strategy – particularly for nature. GPE's decarbonisation ambitions also align with our own to reduce the emissions intensity of our portfolio under the NZBA."

Chinyelu Oranefo
Managing Director, Sustainability Advisory, Real Estate and Housing

Lloyds Living

Lloyds Living, formerly branded as Citra Living, provides high-quality properties for rental and shared ownership.

Up to October 2024, Lloyds Living completed on 2,660 homes. Of these, 74 per cent were EPC rated A or B. These have been our areas of focus as part of our sustainability strategy:

Data and strategy

With an increasing portfolio and carbon footprint, our primary focus for 2024 has been to establish a baseline for our scope 1 and 2 emissions from Lloyds Living properties including shared landlord areas and show homes. The total emissions for 2023/24 was 128tCO_2e and has been included within our Streamlined Energy Carbon Reporting for the first time in 2024 (see annual report and accounts 2024 → pages 59 to 60). Work is under way to measure Lloyds Living's scope 3 emissions.

We will continue to evolve our sustainability strategy and adapt our plans as we start to understand more about the performance of our homes and continue to innovate and trial new opportunities as we seek to reduce our environmental impact for the benefit of our communities.

Building standards

In 2024, we have worked towards ensuring that 50 per cent of contracted projects for new build homes met NextGeneration standards. As of the end of 2024, 50 per cent meet our criteria.

We will continue to encourage our development partners to sign up to NextGeneration, when possible. We have contracted on our first Future Homes scheme and have extended our Zero Bills pilot to a further 23 homes.

We are proud to have 16 properties that meet the government's Future Homes Standard, ahead of its implementation date in 2025.

The Future Homes Standard is a set of regulations for new homes in the UK that aim to reduce carbon emissions and make them energy efficient properties. In addition, we have 146 homes completed to new Part L standards (meaning they produce 31 per cent less emissions through improved insulation) and we have conducted an energy use and performance pilot on a further 123 existing properties.

NextGeneration is a sustainability benchmark for UK homebuilders. It sets out what good practice looks like and drives change in the industry, with the criteria of the benchmarks being publicly available.

Biodiversity

In line with UK law (Sch 7A TCPA 1990) new developments granted planning permission since legislation came into place are set to achieve a minimum of 10 per cent Biodiversity Net Gain. However, delays in implementing this planning regulation, meant that new build sites that Lloyds Living contracted in 2024 were consented under the old regulations and as such, were not subject to Biodiversity Net Gain requirements. Therefore, the opportunities to deliver against the 2024 pledge of 10 per cent of new developments achieving 10 per cent Biodiversity Net Gain were limited.

In 2025, we will review our strategy with regard to Biodiversity Net Gain and develop an approach to delivering improvements to biodiversity on our existing sites.

Travel

We evaluate the accessibility of sites through public transport to help reduce car dependency. Where parking is provided onsite, we will work with our development partners to increase the provision of electric vehicle charging points.

Lloyds Living pledges

	2024	Achieved	Progress in 2024	For 2025
Data and strategy	Determine emissions baseline and reporting approach	Yes	We have developed an initial estimate for our baseline and disclosed scope 1 and 2	Assess our approach to established targets
Building standards	50 per cent new developments contracted in 2024 report to NextGeneration Standards[1] First Future Homes Standard homes contracted	Yes Yes	50 per cent of new developments contracted in 2024 contain a commitment to report to NextGeneration Standards 16 Future Homes Standard homes contracted Committed to 23 'Zero Bills' homes (Zero Bills relates to electricity costs and a fair use policy)	We will continue to engage development partners to achieve NextGeneration accreditation[2,3] Expand Future Homes Standard pilots Expand Zero Bills pilots 500 completed homes to be all electric (no gas) by the end of 2025 Grow the number of new homes started onsite that are all electric
Biodiversity	10 per cent of new developments contracted in 2024 to achieve at least 10 per cent Biodiversity Net Gain	No	We were anticipating that some of our new development activities would be subject to Biodiversity Net Gain requirements as part of planning processes. However, the delay in legislation has meant that no new developments were subject to Biodiversity Net Gain requirements in 2024. We remain focused on actions that will help us achieve this. We will continue our work to improve the biodiversity of our existing sites	Continue our work to improve the biodiversity of our existing sites[4] We will work with our development partners to explore ways to improve the quality of Biodiversity Net Gain achieved on sites, and deliver wider nature improvements on new construction projects
Travel	Introduce our car charging policy to support those customers wishing to install an electric charging point	Yes	We have continued to explore opportunities to include electric vehicle charging points onsite. We currently have 132 homes completed, with 819 homes contracted	Increase access to EV charging points on new developments (subject to capacity and feasibility)[5]

1 We have reviewed and refined our 2024 pledge and performance to provide further clarity on the metric. This relates to the number of project level contracts contracted for new build homes in 2024.
2 We have reviewed our commitment in 2024 and due to data challenges identified, we will revise and update our pledge over the course of 2025 to acknowledge and incorporate the varying ways development partners engage with NextGeneration and our ability to track these during and post construction.
3 This pledge has been revisited from 2024 in line with data limitations.
4 We are working to develop a biodiversity improvement pilot on a suitable existing site with a 10 per cent Biodiversity Net Gain.
5 This pledge has been revised in 2024 to align with planning limitations and feasibility.

Home insurance

The Group (including its associated brands)[1] offers buildings and contents insurance to UK residents.

We aim to support customers in improving the resilience of their homes against extreme weather caused by climate change. As a business, we also strive to advocate for change with policymakers and other firms in the industry.

1 The home insurance liabilities are managed under Scottish Widows Group.

Our strategy – two key areas:

1. Propositions to improve resilience

Climate change is projected to alter the frequency, severity and location of weather events that impact our UK general insurance portfolio. Our home insurance products provide cover for all weather perils, for example, flood, windstorm, subsidence and freeze. These are the perils that are most affected by climate change, and we will look to continue to provide these coverages in the future.

The UK is expected to experience increases in extreme rainfall leading to increased flooding. Whilst river and coastal flooding can be modelled with catchment-scale hydrological models allowing for advance planning in mitigation measures, the nature of surface water flooding (localised and difficult to predict) makes equivalent mitigation planning more challenging.

Given the increasing frequency and devastating household impacts of flooding, flood resilience is a priority for us in supporting our customers. We recognise the opportunity and imperative to improve the flood resistance and resilience of those homes that are most at risk of flooding.

Our Build Back Better initiative (backed by Flood Re) is a commitment to spend up to £10,000 per claim on specialist flood surveys and fitting property flood resistance and/or resilience measures following eligible flood claims. To identify the most appropriate measures for eligible customers – including floodgates and self-closing air bricks – we have onboarded specialist flood surveyors to provide expert advice to our customers. The Build Back Better scheme went live on 1 July 2022 and the first eligible claim was registered the following month.

To help customers protect themselves and their homes from the physical impacts of weather events, we can reach out, via email, social media and our banking app, with various elements of advice and guidance. In the lead-up to winter 2024, we issued communications to offer advice on how to protect homes against the impacts of wintry weather, such as burst pipes. Alongside preventative communications, we also reach out to our customers ahead of severe weather events.

2. Advocating change

To facilitate systemic change, we believe that acting as a convener and creating a platform for open dialogue and a diverse representation of expertise outside of just financial services will help us to solve the challenges we now face. To these ends we are building relationships with experts to enhance our understanding of sustainability. For instance, we are collaborating with academic institutions to study the impact of climate change on windstorm risk. We have also identified the need to advocate for change within policymaking, leveraging our relationships within government and industry to influence policy in both flood resilience and broader weather-related resilience and adaptation efforts.

Insurance emissions methodology

Whilst there is currently no prescribed methodology for measuring emissions on insured properties to support net zero progress and reporting, we will continue to monitor and engage with developments in this area.

Transition to net zero and protecting nature continued

Transition plan by system continued

Low carbon transport

System summary

UK emissions[1,2]

20.2% | 2.0%

Bank financed emissions[3]

14.2%

1 Sourced from Department for Energy Security and Net Zero – 2022 UK greenhouse gas emissions.
2 UK emissions from 2022 energy supply were 90.2 $MtCO_2e$ for Passenger Car, Electric Vehicle, Buses and Light Duty Vehicles, and aviation transport. Total UK emissions from 2022, including energy supply were 406.0 $MtCO_2e$ for the entire UK.
3 Total Bank financed emissions are 19.7 $MtCO_2e$ for 2023.

UK sector emissions | UK energy supply emissions | Bank financed emissions

Opportunity

£90 billion in finance is required from 2020-2030 to achieve net zero in this system[4].

4 Estimated figures for 2020–2030, accurate at the time of publication of the CCC Sixth Carbon Budget.

Associated sector targets

- Retail motor
- Road passenger transport
- Aviation
- Auto-OEM

Associated UK CCC 2024 progress indicators

Number of battery electric car share of total sales	Slightly off track
Number of battery electric van share of total sales	Significantly off track
Number of public EV charge points	On track
Number of Sustainable Aviation Fuel share	Too early to say

Significantly off track | On track | Slightly off track | Too early to say

System focus

Surface transport is the highest emitting sector in the UK. Our low carbon transport system addresses transport by road and by air. It includes our retail vehicle leasing and financing activity, as well as support for transport operators, the companies that manufacture vehicles to produce cleaner more efficient vehicles, and those that develop greener alternative fuels. Emissions for our rail and shipping activities within the transport sector are not currently included, due to their low materiality and our limited exposure to those transport sectors.

System interactions

The Low Carbon Transport System has close interaction with the Energy System and Greening the Built Environment with a significant increase in public charging infrastructure needed alongside energy network upgrades and cost-effective tariffs to accommodate demand needed to support adoption of electric vehicles. Low carbon electricity is also critical for the decarbonisation of the low carbon transport system. Further battery supply, development and improvements, increasing use of second-life batteries and the development of alternative fuels for heavier vehicles or aviation are other areas of interaction. As part of our updated materiality assessment for the Commercial banking portfolio, we identified that this sector can significantly impact nature through disturbance and emissions of greenhouse gases and non-greenhouse gases. Supporting the transition to a low carbon road transport sector will, however, reduce the number of pollutants that enter the atmosphere.

System challenges

The most material policy impact for this system is across road transport, driven by the Zero Emission Vehicle (ZEV) mandate which is noted to have made good progress by the CCC July 2024 Progress Report, together with the government's decision to reinstate the original targets and the recent consultation on the implementation of the mandate.

There is some uncertainty on the growth in the used EV market, due to customer concerns on battery life, vehicle range and volatile pricing as new manufacturers enter to the market supplying lower-cost models. Further, despite some progress for public charging infrastructure, significant scale-up is needed to meet expected future growing demand supported by affordable, accessible charging solutions including where residents do not have home off-street parking and currently rely on public charging infrastructure, which is more expensive than home energy. A wider system challenge stems from aviation which is a hard-to-abate sector. Despite the inclusion of a Sustainable Aviation Fuel (SAF) revenue support mechanism in the King's Speech much of the technology available to decarbonise the aviation sector is nascent, with significant investment still required to scale production of SAF.

Road transport value chain

Value chain	What the UK transport system needs?	Crossover with other systems
Material sourcing	Transparent, responsible mineral and chemical sourcing for parts and batteries	Energy
Manufacture (parts and OEMs)	Supply of EV cars, light commercial vehicles, buses, with lower embodied emissions and extended range	
Distribution	Support for low carbon transport from dealers, manufacturers and fleet operators	
Infrastructure and energy	Sufficient supply of low carbon electricity, and smart charging at all times of the day, where it is needed	Greening the built environment, Energy
Use (new)	Ensure that supportive policy includes just transition considerations Affordable mobility for all (city access) Access to affordable, accessible, reliable public transport	Energy
Repair & maintenance	Longer vehicle life overall, reducing waste and embodied carbon of vehicles	
Re-use of vehicle	Strong market in secondhand EVs makes ownership more affordable and better for environment (prolonging vehicle life, including use of battery, therefore reducing embodied carbon emissions)	Energy
End of life	Battery recycling and re-use for storing electricity reduces environmental pollution and reduces demand for resources, supports balancing the grid and enables electrification	Energy

Systems key

Energy | Greening the built environment | Transport | Food and farming

Our actions

To date we have developed products and propositions to help customers understand the best way to transition to greener vehicles and to ensure switching to electric fuel types is as hassle-free and cost-effective as possible, including via partnerships. We are also engaging our corporate clients to set science-based targets and with government and other external stakeholders to ensure there is a supportive external environment to facilitate transition. Moving forward we will need to consider how we can further facilitate the move to greener vehicles and the required supportive infrastructure by considering data and insights centred on cross-system areas noted above and associated new financing opportunities or models.

Building on this activity, and utilising a systems approach, in 2024 we considered the changes needed across the transport value chain to support the system to transition to net zero, including interactions with other systems as summarised on **page 104**. This approach has initially focused on the road transport system based on materiality. We expect this to continue to evolve and develop to support other targets.

This approach supported us to begin to identify the priority actions moving forward for this system to unlock the progress needed and support our customers, which include:

01 Considering how we can help create an accessible, stable low carbon Road Transport market, with a focus on EVs (used), LCVs and buses. This will include risk considerations given challenges with EV residual values. Further, data requirements such as EV charging insights can be utilised to lower barriers to entry alongside innovative financing models.

02 Increasing use of data to better understand our customers, support them to understand the changes and benefits needed to switch to EVs or LCVs and understand the synergies with their home or place of work to enable them to switch.

03 Further facilitating the move to greener vehicles by considering support for the required supportive infrastructure and insights centred on cross-system areas noted above and associated new financing opportunities or models including connected car data, payment solutions, car sharing/flexible leasing and mobility as a service.

Retail motor

The Group has one of the largest vehicle finance and leasing portfolios in the UK, playing a significant role in the successful transition to a sustainable transport model.

Through Lex Autolease, Black Horse and Tusker, along with our core-bank brands, our Transport business leases and finances 1.2 million vehicles on the road today, including over 260 thousand low emission vehicles.

See **page 104 to 105** for details of Low Carbon Transport system.

Target

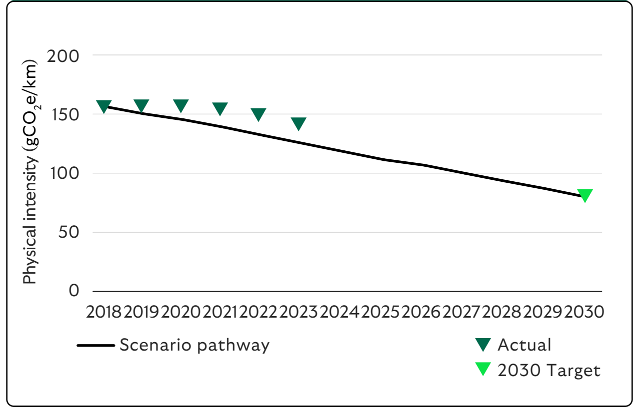
Our target is to reduce the emissions intensity for cars and light commercial vehicles (LCVs) by more than 50 per cent by 2030 (from a 2018 baseline – scope 1 and 2) equating to 75gCO_2e/km or less down from 150gCO_2e/km for cars and 99gCO_2e/km or less down from 198gCO_2e/km for LCVs.

At the time of setting our targets, we applied the same assumptions on adoption for electric LCVs as for electric cars. Scenarios now provide separate adoption rates for LCVs, and we will review the LCVs target once the CCC publishes the Seventh Carbon Budget in 2025, ensuring we reflect the latest position.

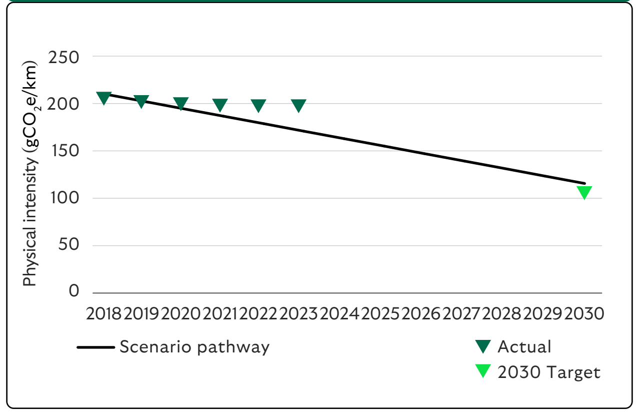
50%

car and van emissions intensity reduction (gCO_2e/km) between 2018 and 2030

Cars emissions intensity reduction 2018 to 2030[1]



LCVs emissions intensity reduction 2018 to 2030[1]



Progress update

We have made positive progress as displayed in the charts and between 2018 and 2023 achieved a reduction in car emissions intensity from 150gCO_2e/km to 135gCO_2e/km and a reduction LCVs emissions intensity from 198gCO_2e/km to 190gCO_2e/km.

1 The reference pathway will be reviewed based on the CCC's 7th Carbon Budget published in February 2025.

Implementation strategy

As a Group, we are well prepared for the transition from internal combustion engine (ICE) cars to electric vehicles (EVs). In 2024 we reached and exceeded our £8 billion green lending target for new battery electric and plug-in hybrid electric vehicles. We provided £3.7 billion of lending bringing our total since 2022 to £9.4 billion.

Over the past five years, our primary focus has been on cars. Through our Tusker brand we provide fully maintained and insured salary sacrifice schemes and through Lex Autolease, a comprehensive leasing solution and car policy guidance enabling customers to transition their fleets to zero emission to help accelerate EV adoption rates.

Access to used EVs

In 2024, we launched initiatives to support accessibility to EVs, particularly in the used market.

We extended the age and mileage parameters for vehicles we finance in Black Horse and provide longer contracts with lower monthly payments, enabling us to finance more EVs longer into their lives. The maximum finance term for an EV is now nine years.

In September 2024, our Tusker brand launched its used salary sacrifice scheme for corporate fleets. This not only aids a reduction in the carbon impact associated with manufacturing new vehicles but also gives lower rate taxpayers access to a wider selection of affordable EVs.

We have also expanded our used leasing proposition in Lex Autolease further from its initial launch in 2023 and have now financed over 2,000 used EVs.

EV charging access

In 2024, we launched new referral solutions for EV charging services for Lex corporate and salary sacrifice customers to support and simplify their transition journey. These solutions offer our customers and drivers access to home chargers, smart EV energy tariffs and access to UK public charging networks via a single payment card.

Going forward, we will expand partnership opportunities further to support more drivers in their EV transition journey, whilst continuing focus on our key priorities to support accessibility and affordability, consumer confidence and the supporting infrastructure.

1 in 8

ultra-low emission vehicles on UK roads financed by the Group

Overview
Our Group strategy
Quality and affordable housing
Empowering a prosperous future
Supporting regional development and communities
Building an inclusive organisation
Transition to net zero and protecting nature
Risk management
How we deliver

Transition to net zero and protecting nature continued

Transition plan by system continued

Risks and dependencies

The government's zero emission vehicle (ZEV) mandate outlines the expectation for 80 per cent of new cars and 70 per cent of new LCVs sold in the UK to be zero emission by 2030, increasing to 100 per cent by 2035. For cars, our current projections indicate that this is achievable, and we are making good progress towards this through our leasing in corporate and salary sacrifice segments.

The government's decision in 2024 to reinstate the 2030 ban on the sale of new petrol and diesel vehicles will hopefully urge both businesses and consumers to act on their own transition journey to electric, but we acknowledge that there is still progress to be made to facilitate this move.

In December 2024, a further two month consultation was announced by the UK government which will seek views on how the industry can be supported in achieving the delivery of the commitment to end the sale of new cars and LCVs powered solely by ICE by 2030 and how the mandate could operate beyond 2030.

The CCC July Progress Report observed that new van sales in the UK were 'significantly off track'. There are several challenges hindering growth in the van market, including mileage range, limited product choice and a small used market. The product range for business use is limited and erosion of financial benefits from rising energy prices and reduced grants presents further challenge.

For consumers, the higher initial cost of vehicles and concerns about charging infrastructure continue to be major obstacles to transition, especially when the potential long-term savings are unclear. New manufacturers entering the market are expected to cause further disruption, with lower new car prices putting an equal downward pressure on used EV values.

Residual Value (RV) is a key risk that arises from this, and we look for stability in terms of government and consumer sentiment as a key enabler. In the meantime, we will continue to improve our monitoring and management of RVs. To address these challenges consumers must be provided with up-to-date education on the benefits of electrification, and charging infrastructure must continue to grow at pace with innovative solutions crucial for those who do not have access to off-street parking. As of September 2024, there has been an over 40 per cent year-on-year increase in the number of public charging devices[1]. However, there remains a need to focus on investment in the affordability and accessibility of private charging infrastructure.

The October 2024 fiscal budget announced the following policy relating to our transition to net zero, including:

- Vehicle Excise Duty (VED) changes
- Employer NI contributions raised to 15 per cent
- Adjusted Benefit in Kind to 2030
- Change in taxation of double cab pick-ups

1 UK hits 70,000 public electric vehicle charge points milestone article →

Engagement strategy

A key element of our strategy involves collaborating with policymakers to create an attractive market for both new and used EVs and to enhance the UK's charging infrastructure. As a leading UK provider of eco-friendly fleets for businesses, we facilitate access to greener vehicles for our customers. We are confident that we can help meet the challenge of keeping the nation moving in a more sustainable way up to and beyond 2030.

95%

of Tusker EV deliveries in 2024 were low emission vehicles

We continue to work with industry bodies and partners to help drive change, these include:

- **The Climate Group – UK Electric Fleets Coalition:** In 2021 we became part of the Climate Group's UK Electric Fleets Coalition steering group. As a select group of business leaders, we use our market expertise to advocate for UK policy changes that promote the move to EVs, including stimulating EV supply and investing EV charging infrastructure
- **Electric Vehicle Fleet Accelerator (EVFA):** We became part of an initiative to tackle challenges by creating a platform for members to collaborate, identify potential solutions and leverage aggregate corporate demand. This effort supports a joint commitment to buy 100,000 British manufactured LCVs by the end of the decade, or sooner if availability allows

Just transition

Used EV leasing – We are continuing to develop our used EV offering and will be using data to optimise repatriation into our used finance propositions. Helping to drive price parity for consumers in the electric space, as well as providing up-to-date education on the benefits of the used market, are key goals. Older EVs can provide benefits to our customers via a cheaper purchase price and typically require less maintenance than ICE vehicles.

The expansion of our used leasing proposition in Lex Autolease and launch of the Tusker used salary sacrifice scheme in 2024 have supported these developments and have helped make EVs more accessible for more customers.

Online Education Hubs – This year, we launched the new Black Horse EV hub aimed at helping customers address the key concerns of EV transition. Our Lex EV Hub for corporate customers continues to develop as we look to provide customers with the most up-to-date information on their journey to electric. In addition, we continue to update and improve our education content on the Tusker EV hub for our salary sacrifice customers.

Road passenger transport

Our clients whose primary business is transportation of passengers includes buses, coaches, taxis and rentals.

Decarbonisation of this sector is driven by the move from internal combustion engines to low or zero emission alternatives such as electric or hydrogen-powered vehicles.

See **pages 104 to 105** for details of this system.

49%

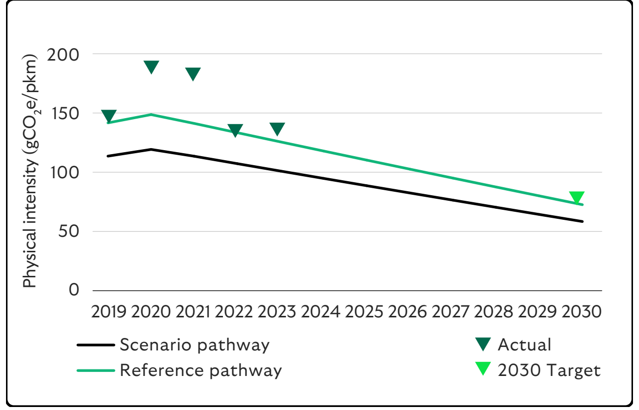
road passenger transport emissions intensity reduction (gCO_2e/pkm) between 2019 and 2030

Target

Last year we established a 2030 target for our Commercial Banking portfolio of corporate road passenger transport operators. Using the 1.5°C aligned balanced net zero pathway of the Climate Change Committee as our reference, our target requires an emissions intensity reduction of 49 per cent from our 2019 baseline of $141gCO_2e/pkm$ to $72gCO_2e/pkm$ by 2030. The 2019 portfolio baseline and subsequent years have been restated. The portfolio baseline has moved from $165gCO_2e/pkm$ to $141gCO_2e/pkm$, driven by updated client and sector emission and passenger data being published or identified. We selected 2019 as the baseline year due to the impacts of the COVID-19 lockdowns on passenger behaviour in the years 2020 and 2021, and the unavailability of the 2022 data.

The availability of granular client emissions data is a challenge for setting a target in this sector. Due to challenges accessing data for SME clients, our target covers larger clients in our corporate and institutional business. Even for larger clients, there are methodological challenges in translating available Scope 1 emissions data into an intensity metric due to the lack of client-level passenger km data, meaning that significant assumptions are required.

Road passenger transport emissions intensity reduction 2019 to 2030



Progress update

From 2019 to 2023 the emissions intensity decreased from $141gCO_2e/pkm$ to $130gCO_2e/pkm$. This is due to client emission reductions over the period, and a change in portfolio mix including additional lending to lower emission intensity clients as part of the strategy to support the transition.

Risks and dependencies

Decarbonising the road passenger sector faces challenges, including passenger demand, a supportive policy environment, charging infrastructure, and a supply of low carbon fuels.

For bus, coach and taxi operators, demand for travel is crucial to incentivise the move to low carbon vehicles. For rentals, the transition to EVs has slowed and is increasingly dependent on customer demand for EVs over conventional internal combustion engines. This choice is influenced by cost, battery mileage or easy access to reliable charging infrastructure. Our ability to deliver our target therefore depends on how consumer demand will evolve in response to economic and policy trends.

1.5°C

Engage with clients to set their own credible targets (1.5°C aligned) by end of 2025

Implementation strategy

We continue to engage our clients to set credible transition targets, aligned with 1.5°C, by the end of 2025. Beyond 2025, should they appear to be operating below our requirements, this will form part of our overarching ESG risk assessments and credit decisioning processes.

We are also targeting additional corporate lending, asset finance and project finance to bus owners and operators to finance the rollout of low carbon (electric and hydrogen) buses by 2030, as well as considering alternative technologies.

Engagement strategy

We have engaged all our most material clients within road passenger on their Credible Transition Plans (for more information on our CTP process see **pages 85 to 87**).

We will consider future engagement with government on transportation schemes, where we consider it appropriate, recognising that improved quality, increased availability and low emission public transportation are important factors in reducing emissions from the transport sector. As well as supporting reduced emissions it also has a positive impact on regional regeneration.

Just transition

A thriving public transport sector is essential for enabling cost-effective and environmentally sound travel for work and leisure. As the low carbon transport system undergoes transformative change, a key component of our strategy is to support the passenger transport sector to transition to net zero while continuing to serve their communities. As well as transitioning the transport sector to net zero, we want to see an increase in public transport being offered to incentivise greater usage.

Purpose in action

Supporting the electrification of public transport

SDG 9.4
By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

SDG 11.2
By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.

Key

Link to strategy

Grow

Founded in 2017, Zenobē holds around

28%

of the UK electric bus market working with c.90 per cent of major bus companies and operates in Europe and Australasia, and is expanding into North America.

Zenobē, a leader in battery electric vehicle fleets and grid-scale battery storage, has secured over £1 billion in green debt funding since 2019. In February 2024, Zenobē completed a landmark £410 million deal, the largest electric bus platform financing in Europe. This innovative finance solution, developed with 13 banks, including Lloyds Bank as Mandated Lead Arranger and largest lender (including Scottish Widows), will support the UK's decarbonisation goals and the deployment of over 2,200 electric buses in the UK and Ireland by 2026.

Zenobē holds around 28 per cent of the UK electric bus market working with c.90 per cent of major bus companies. It operates in Europe and Australasia, and is expanding into North America supporting over 2,000 electric vehicles. Zenobē has also been awarded £41.7 million in the second phase of the Scottish Zero Emission Bus Challenge Fund to support the electrification of buses in Scotland. This will help deploy 252 new zero emission buses and create a Scotland-wide charging network for buses, coaches, and heavy goods vehicles (HGVs).

Zenobē's (and its peers') initiatives are crucial for the UK's net zero emissions goal by 2050, particularly in the transport sector, the largest contributor to domestic greenhouse emissions. Lloyds Bank, Scottish Widows and other financial partners are proud to support Zenobē with innovative financing solutions in this transformative journey towards a sustainable future. This case study highlights Zenobē's achievements and the critical role of green financing in driving the decarbonisation of the transport sector.

Overview
Our Group strategy
Quality and affordable housing
Empowering a prosperous future
Supporting regional development and communities
Building an inclusive organisation
Transition to net zero and protecting nature
Risk management
How we deliver

Aviation

Aviation (passenger and freight transport) is a hard-to-abate sector, with the required scale-up of sustainable aviation fuels and maturing of low carbon propulsion technologies still many years away.

See **page 104 to 105** for details of this system.

31%

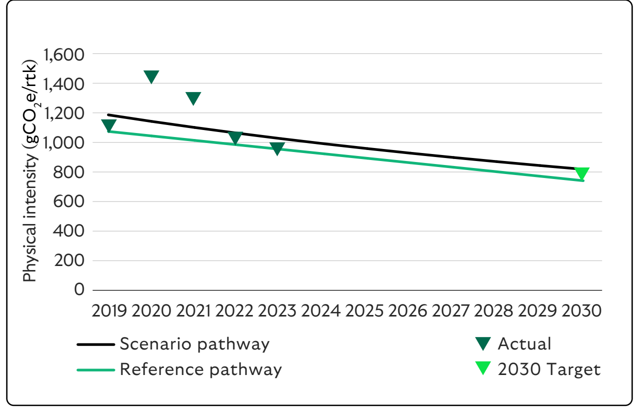
aviation emissions intensity reduction (gCO_2e/rtk) between 2019 and 2030

Target

Reduce the emissions intensity per revenue tonne kilometre of our aviation portfolio by 31 per cent from a 2019 baseline of 1,068gCO_2e/rtk, reaching 737gCO_2e/rtk by 2030 (based on the IEA ETP 2020 scenario, aligned with well below 2°C).

In our aviation portfolio we originally set a target to reduce emissions intensity by 31 per cent by 2030 to 633gCO_2e/rtk from a baseline of 918gCO_2e/rtk in 2019. The 2019 portfolio baseline and subsequent years has been restated. The baseline has increased by c.16 per cent to 1,068gCO_2e/rtk, driven by client restatements. As a result, alignment to the same well below 2°C (WB2D) degree scenario pathway requires a 31 per cent reduction to 737gCO_2e/rtk in the same period.

Aviation emissions intensity reduction 2019 to 2030



Progress update

From 2019 to 2023 emissions intensity decreased from 1,068gCO_2e/rtk to 904gCO_2e/rtk. This is both due to sector changes whereby emissions per kilometre flown have reduced, and due to a slight reduction of our exposure to this portfolio.

Risks and dependencies

Key sector dependencies include support from governments globally for sustainable aviation fuel (SAF), scaling of SAF production, airport infrastructure to run blended fuels and availability of new aircraft as well as dependency on future alternative propulsion technologies (e.g. battery and hydrogen).

There is heavy dependence on SAF scale-up, underpinned by policy. The EU committed earlier to an increasing SAF requirement, whilst in 2024 the UK laid out its policy, expected to commence from 2025.

We remain dependent on development and scale of innovative technologies. Our clients have set targets aligned with WB2D or 1.5°C scenarios with actual emissions intensity reduction to 2023 showing they are in line with the reference pathway. We acknowledge the dependencies set out above may result in divergence in the future between actual emissions intensity and our 2030 target.

Engagement strategy

In 2024 we announced we would be assessing the Credible Transition Plans of our most material aviation clients and are pleased to confirm we have done so (for more information on our CTP process see **pages 85 to 87**). We will continue embedding considerations of client targets, commitments, progress and transition plans into our decision making as appropriate.

During 2024, we engaged with government consultations and workshops on the design and delivery of a revenue certainty mechanism to support UK SAF production and boost its uptake. Through our responses we outlined what we believe is needed to finance SAF and provide producers with assurance needed to increase production.

Just transition

As the UK looks to scale up SAF production, in time it will be important to consider the social impacts of crop production for SAF to ensure that crop production for fuels does not compete or displace crop production for food. UK and EU policy already has considerations for this which may yet evolve.

Implementation strategy

In 2024, demand for air travel became comparable to pre-COVID-19, meaning that data became more comparable. Our key strategic lever for this sector continues to be working with our clients to set targets and develop plans aligned with a WB2D pathway. Although we encourage ambitious plans aligned with 1.5°C, we recognise that with today's technology, the sector's path is only aligned with a WB2D pathway.

In 2024, many of our clients announced ambitious investment to enhance the efficiency of their fleets to be implemented over the next decade. We support clients through continued deployment of capital and risk management capabilities, whilst furthering alignment of finance and environmental performance through sustainability-linked financing facilities in which we have played roles as both lender and coordinator.

We further support sector transition throughout the manufacturing and wider aviation value chain in which we have grown our influence in 2024.

Automotive original equipment manufacturers (OEMs)

The production of vehicles is highly concentrated amongst the world's largest automotive manufacturers.

A key driver for automotive OEMs is consumer appetite for EVs, which in turn is dependent on the widespread availability of cost-effective charging infrastructure.

See **pages 104 to 105** for details of this system.

We expect our clients to set targets which are either aligned with IEA NZE 2050 or validated by SBTi.

47%

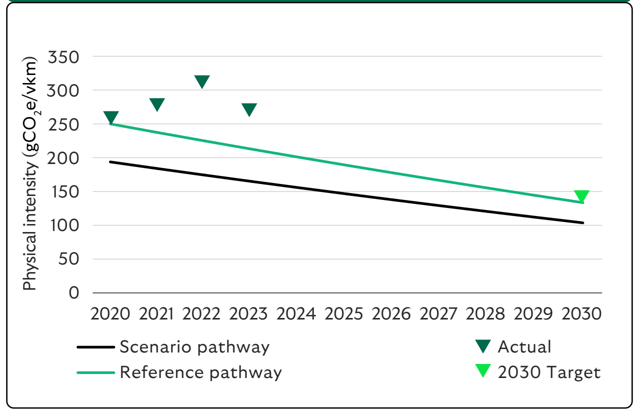
automotive OEMs emissions intensity reduction (gCO_2e/vkm) between 2020 and 2030

Target

Reduce the emissions intensity (including scope 1, 2 and 3 emissions) of our automotive OEMs portfolio by 47 per cent from a 2020 baseline of 249gCO_2e/vkm, reaching 133gCO_2e/vkm in 2030. We originally set a target to reduce emissions intensity from a 2020 baseline of 217gCO_2e/vkm by 47 per cent to 115gCO_2e/vkm by 2030. Previously, the emissions baselines of several key clients were based on estimated data.

In our refreshed version we have improved our methodology to use reported client disclosures where possible, resulting in a more accurate 2020 baseline of 249gCO_2e/vkm, with this change also impacting subsequent years. As a result, alignment to the same 1.5°C scenario pathway requires a 47 per cent reduction to 133gCO_2e/vkm over the same period. We have also calculated the portfolio's 2023 emissions intensity to be 259gCO_2e/vkm.

Automotive OEMs emissions intensity reduction 2020 to 2030



Progress update

From 2019 to 2023 emissions intensity increased from 249gCO_2e/vkm to 259gCO_2e/vkm. This is due to a disproportional increase in total emissions in comparison to production data. Scope 3 decarbonisation remains a challenge for this sector. EV adoption may be improved upon as we progress to 2030 and beyond due to government targets.

Risks and dependencies

The transition of the automotive OEMs is key to delivering not only this target but also our targets in retail motor (cars and LCVs) and road passenger (buses, coaches, taxis and rentals).

The key dependency for automotive OEMs is consumer appetite for EVs, which in turn is dependent on cost-of-living conditions, improving battery technology to increase range, and the widespread availability of reliable, cost-effective charging infrastructure. Price of EVs remains a barrier to entry for UK consumers, and despite continuous efforts from legacy western carmakers to make electric vehicles more affordable, a significant price gap between EVs and internal combustion engine (ICE) vehicles still remains. The policy landscape underpinning these is also increasingly critical. Uncertainty with regard to legislation and trade conditions between markets has slowed the demand for EVs.

Engagement strategy

In 2024 we announced that we would be assessing the Credible Transition Plans of our most material automotive clients (for more information on our CTP process see **pages 85 to 87**). We are pleased to confirm we have engaged all our most material automotive OEM clients on their Credible Transition Plans. We will continue to embed considerations of client targets, commitments, progress and transition plans into our decision-making processes by the end of 2025 as appropriate.

Implementation strategy

In 2024, we continued supporting the transition of traditional manufacturers who remain critical to sector-wide decarbonisation efforts, in addition to servicing EV-only manufacturers. We also engaged all our clients in this sector on their transition plans and are pleased to confirm that most have set 1.5°C scope 1 and 2 targets through the Science-Based Targets initiative (SBTi), with the rest having equivalent public statements regarding their decarbonisation plans.

By the middle of the decade, we will be working with our clients to ensure they are delivering against their targets; by the end of the decade, we expect all our clients to be meeting these indicators.

Transition to net zero and protecting nature continued

Transition plan by system continued

Sustainable farming and food

System summary

UK emissions[1,2]

11.7% | 0.3%

Bank financed emissions[3]

29.9%

1 Sourced from Department for Energy Security and Net Zero – 2022 UK greenhouse gas emissions.
2 UK emissions from 2022, including energy supply were 49.1 $MtCO_2e$ for sustainable farming and food. Total UK emissions from 2022, including energy supply were 406.0 $MtCO_2e$ for the entire UK.
3 Total Bank financed emissions is 19.7 $MtCO_2e$ for 2023.

UK sector emissions | UK energy supply emissions | Bank financed emissions

Opportunity

£8 billion in finance is required from 2020-2030 to achieve net zero in this system[4].

4 Estimated figures for 2020–2030, accurate at the time of publication of the CCC Sixth Carbon Budget.

Associated sector targets

- Agriculture

Associated UK CCC 2024 progress indicators

Currently there is no CCC progress indicator for regenerative agriculture aspects of low carbon farming which is the focus area of our agriculture target activity.

System focus

Our sustainable farming and food system addresses primary agriculture and the food value chain, which play a significant role in tackling many of the UK's sustainability challenges. Alongside food production, British farmers also maintain c.70 per cent of the UK's natural spaces and thereby have a key role to play in both protecting and restoring nature[5].

Conversely, the food system makes up a large share of both global and UK GHG emissions, and is classified as a sector that is difficult to abate. Given our high market share, we have a greater exposure to this sector compared to the UK average, making it a material contributor to the Bank's financed emissions. Developing more sustainable business models will require farmers and broader actors in the direct and indirect value chain to collaborate alongside a supportive policy environment. This includes food processors, wholesalers, retailers and restaurants as well as logistics businesses, financiers and insurers.

System interactions

Much like the other systems, there are several cross-system interdependencies to consider. Outside of growing more food for a growing population, there are multiple demands on land use that need to be considered. This includes cultivating trees for building materials, constructing homes, generating clean energy, absorbing emissions and supporting biodiversity.

Many of these activities link this system with Energy Transition and Greening the Built Environment. Our nature materiality assessment highlights clear dependencies on the food system; for example, agriculture directly affects both soil quality and water scarcity. Adaptation and resilience to more extreme weather events will help to protect food production over the long term. Additionally, transporting and processing food involves the Low Carbon Transport and Energy systems, with implications for Circularity in food and packaging waste.

5 As of 2023 based on DEFRA research and analysis (2024) →
6 Grounded in evidence: A way forward for British farms →

System challenges

Unlike other systems, emissions are derived from natural processes which are challenging to abate. Decarbonisation of the food system (including agriculture) requires a number of transformations, both on supply and demand side. On the supply side, these include supporting farmers to adopt low carbon practices, increasing the focus on soil health, and supporting nature recovery, whilst on the demand side, this requires changes in consumer behaviour such as dietary shifts and reduction in food waste. There are also substantial challenges in identifying a standardised methodology for measuring farms' environmental impact, which is a key enabler for transition. To date, these goals have been challenging to meet.

Many policies to aid transition have significant risks in delivering the reductions required, with the CCC noting no progress against a recommendation to publish a land use framework that brings these various challenges together. This is a material and important mechanism which can consider the multiple interactions highlighted.

Our actions

We recognise that establishing common metrics for environmental outcomes is an important lever in scaling the transition to regenerative practices. Since 2022, we have been working with the Soil Association Exchange (SAX) to measure our farmers' environmental baselines to help unlock their potential to transition.

The outputs of this work were summarised in our recent report, 'Grounded in evidence: A way forward for British farms', launched during Climate Week NYC. It covers the increased recognition from food value chain actors about the value of measuring sustainability claims 'from farm to fork', providing a clear opportunity for farmers to benefit[6].

As members of the Sustainable Markets Initiative (SMI) Agribusiness Task Force, we are exploring new financing mechanisms that both enhance collaboration within the food value chain and develop structures to directly support UK farmers.

Moving forward through 2025, key areas of focus include:

01 Using our voice to articulate the challenges of our clients, through policy engagement with government and industry bodies.

02 In collaboration with SAX and Finance Earth, we are supporting a pilot of a new financing model, 'Exchange Market', to reward farmers for prioritising environmental outcomes. SAX will monitor and verify these outcomes, ensuring transparency and enabling supply chain partners to demonstrate impact.

03 Expanding on our current initiatives to enhance our strategy for the broader food value chain. This involves identifying opportunities and risks, and collaboratively developing solutions to transform the food system, which benefit our clients.

04 Engagement with our most material food, drink, and retail clients in corporate & institutional banking through the completion of Credible Transition Plan (CTP) assessments for the sector. This approach is described on **pages 85 to 87**.

Agriculture

Agriculture accounts for 30 per cent of the Bank's scope 3 financed emissions, and supporting the decarbonisation of this sector is a priority for the Group.

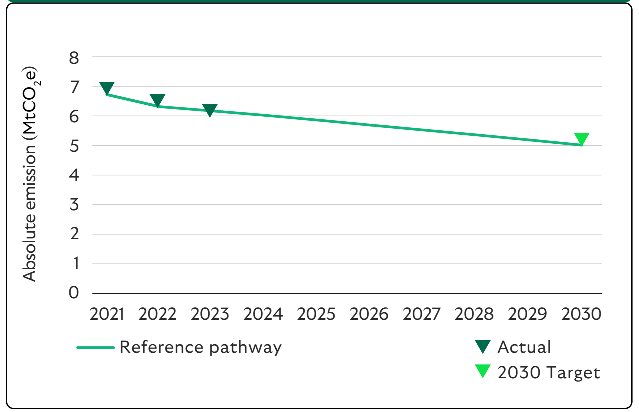
See **page 112** for details of this system.

Target

In 2023, we developed a 2030 target for our Commercial Banking agriculture portfolio using the CCC's 1.5°C aligned balanced net zero pathway as our reference. Our target is to reduce absolute emissions by 25 per cent between 2021 and 2030 (from 6.7MtCO_2e to 5.0MtCO_2e). There is a net increase in the financed emissions across the portfolio driven by an increase in external source emission factors from the Office for National Statistics, which are partially offset by a greater use of actual client emissions data, sourced via SAX which are observed to be lower on average than equivalent ONS emissions estimates for those clients. The portfolio absolute finance emissions for the 2021 baseline year has increased from 6.3MtCO_2e to 6.7MtCO_2e.

Our target covers emissions from primary agriculture and does not include Land Use, Land Use Change and Forestry (LULUCF) measures (e.g. afforestation, peatland restoration and bio-energy crops which sequester carbon) as accounting for how these measures affect carbon emissions and sequestration is complex and currently very uncertain. However, we know that natural processes play a critical role in sequestering carbon. We are investigating data options in accounting for LULUCF measures, bearing in mind that LULUCF will become a necessity when we develop an agriculture net zero target beyond 2030.

Agriculture absolute emissions reduction 2021 to 2030[1]



Progress update

From 2021 to 2023 the absolute emissions of the agriculture portfolio reduced by 12 per cent, from 6.7MtCO_2e to 5.9MtCO_2e. This reduction is primarily driven by a reduction in drawn balances from the baseline year.

Educating and supporting our farmers to transition, through our report 'Shaping agriculture's transition to a net zero future'.

25%

agriculture absolute emissions reduction (MtCO_2e) between 2021 and 2030

1 For our absolute targets we display the forward looking year on year reduction required from the Scenario Pathway as our Reference Pathway, as the scale required for the country or global level Scenario Pathway would make our reference pathway unreadable.

Implementation strategy

We are focused on supporting all parts of the sector to transition to net zero. We do not intend to withdraw financing from any sub-sector, recognising the potential economic and societal impacts this may create (e.g. on UK food security and rural employment).

British agriculture is changing and finds itself under more pressure than ever. The UK is one of the most nature depleted countries in the world and it's estimated that soil degradation is costing £1.2 billion a year[1], while a third of farms in the UK fail to make a profit when considering Net Farm Income.

Through our partnership with the Soil Association Exchange (SAX) → we have developed tools and services to support our farming clients.

- **Exchange Explore App** – a free to use service available to any farm in the UK, that enables farmers to record their sustainability data. The app then provides recommendations for changed practices, including available funding from both public and private sources as well as accessing our Learning Hub
- **Exchange Excel Consultancy** – we have funded a select group of around 850 farmers to benefit from bespoke support. Their onsite farm measurements are completed by a dedicated SAX adviser and farm technician, who provide farmers with bespoke agricultural advice and offer ways in which farmers can be rewarded for farming with nature-positive methods

To ensure we analyse the whole farm, both tools focus on six impact areas: soil, water, biodiversity, carbon, animal welfare and social impact. This will help farmers unlock the benefits of sustainable farming practices while retaining a focus on profitable food production and capitalising on income opportunities. Recognising the essential nature of such data to the transition, we intentionally made the Exchange Explore App freely available online to any farmers – not just our own clients. The Group is proud to offer the sector a blueprint for delivering the transition to a more sustainable future having launched 'Grounded in evidence: A way forward for British farms' → The outcome of our work with the SAX represents the largest and most comprehensive baseline of environmental farm performance in the UK and associated action plans. As the largest provider of finance to UK farming, around 850 farms have benefitted from Exchange consultancy. The resulting insights starkly set out the differences between farm types, both in terms of their current footprint, and the measures they could feasibly adopt.

In 2024, we have also expanded the use of our ESG Tool (see **page 127 to 128**) to support our SME agriculture clients. The bespoke assessment focuses on climate and broader environmental themes, helping us to understand the actions taken and challenges faced by clients in their transition. The outputs from this assessment will enable us to develop our approach in supporting clients' transition.

Transition to net zero and protecting nature continued

Transition plan by system continued

Purpose in action

Pave the way for profitable farming

Around 850 farms have benefitted from the SAX consultancy service through our partnership. One example is Shropshire arable farmer Sam Watson-Jones, who is rethinking his approach to profitable farming. At Howle Manor, near Newport, Sam is moving away from intensive agricultural practices to focus on improving soil health. The farm's light, sandy soils are prone to flooding in winter and drying out in summer. A recent Soil Association Exchange baselining audit highlighted the potential benefits of increasing soil organic matter on his farm, where levels are currently low at 2.3-2.6 per cent. These benefits include improved water-holding capacity, nutrient mineralisation and enhanced biological activity.

Over the past decade, Sam has transitioned from ploughing to minimum tillage to reduce soil disturbance. He is now diversifying cover crops and experimenting with multi-species mixes to further enhance soil health. Additionally, Sam is exploring agroforestry and using chicken manure from his broiler unit to improve soil conditions. This approach aligns with his strategy to move away from commodity production and focus on higher-quality products for direct-to-consumer sales. Sam believes this shift is crucial because of the growing challenges in making a profit from farming, combined with the UK's variable climate conditions, which puts UK growers at a disadvantage compared to countries with more favourable growing environments.

SDG 15
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Key

Link to strategy

Grow

External engagement strategy

The CCC July 2024 Progress Report concludes that policies are not in place for driving the necessary pace of change (see **page 112**). Policy advocacy is therefore an important lever for this sector. We are using our voice through policy engagement with government and industry bodies to prioritise policy advancement in key areas including:

01 Back a standardised methodology for measuring farms' environmental impact.

02 Develop a decarbonisation and nature strategy for agriculture that sets out, in one place, how the UK will deliver productivity, profitability and sustainability improvements together.

03 Collaborate with industry to overcome the barriers faced by farmers – including around the flows of finance which can help deliver changes, and provide fair rewards in return.

We have continued to engage with all the political parties, pre- and post-election, including meeting with new rural MPs to highlight the importance of nature, sustainability, food production and resilience within the agriculture industry. In meetings with DEFRA, Natural England and the Treasury we have discussed our policy asks, which include the need for an industry decarbonisation strategy, unlocking the barriers to green finance to support farmer investment in environmental outcomes, and the importance of a standardised methodology for climate and nature measurement, reporting and verification.

Our active role in industry activities includes speaking at the Low Carbon Agriculture Show, Groundswell, The EU Regenerative Food & Farming Summit and The World Agri-Tech Innovation Summit. Our pavilions at the Royal Welsh and Royal Highland shows hosted several roundtables and events, including the Welsh launch of RABI's Empowering the Worth and Wellbeing of Farming People initiative.

Risks and dependencies

There is a high degree of uncertainty about how the food sector will transition and reduce emissions to meet our target. We acknowledge the uncertainties associated with setting and delivering an emissions target in this sector, namely the poor data landscape and our dependency on factors outside our control, such as government policy, which will drive the sector's transition.

The willingness and capability of our farm clients to decarbonise their operations are key, while also acknowledging the financial pressures they face, as investment in improved agricultural practices may initially result in lower yields and require a longer payback period. Our strategy has a critical dependency on government action to incentivise and enable clients to identify, act and report progress through funding, guidance and regulatory activities. There are more details on our engagement strategy with the government on **page 112**. Key CCC July 2024 Progress Report indicators are off track with the CCC estimating that £8 billion investment is required from 2020 to 2030 to achieve net zero in UK sustainable farming and food.

Increasing client awareness and education is therefore a foundational activity for decarbonising this hard-to-abate sector.

The effectiveness of mitigation options, such as adoption of appropriate regenerative farming practices, is dependent on farm-level characteristics requiring a bespoke approach, meaning scalability is a challenge. Recent technologies to improve precision and productivity are still in development and will require investment.

It's also important to acknowledge that the agricultural industry and nature are inextricably linked, putting farmers in the perfect position to drive environmental improvements. However, each farm business is different; they need tailored solutions that recognise the geographical, economic and technological challenges they face. Each business faces different external pressures, too, from retailers and processors introducing strategies to reduce indirect (scope 3) emissions, to accreditation schemes calling for specific targets to be met.

The poor data landscape in this sector also means we cannot currently track emissions reductions because of our actions. At present, we express our target in terms of absolute emissions reductions. In order to set a future intensity target we require improvements to internal and external data capture sources to be delivered. Going forward, we aim to further develop our ESG risk tool to capture client revenue and look to leverage external partnerships to improve our estimates of client emissions.

Just transition

In line with our purpose of Helping Britain Prosper, we are committed to enabling a just transition that benefits our agriculture clients as well as communities, workers, suppliers and consumers.

There are several factors affecting agriculture which include the impact of inflation on agricultural inputs since 2019, the current high-interest rate environment, and reduced labour availability post-Brexit[1]. Farmers have been grappling with inflation, rising energy costs, and fluctuating input costs (fertiliser and animal feed), creating uncertainty. They also face continued competition from cheaper imports. Agriculture is made up of smaller businesses, who have limited capacity to respond to these external factors.

To support the transition, we must consider how to help our clients overcome these challenges without adding to their already heavy workloads. This is a core consideration for us in developing any propositions to this sector.

For example, through our actions on the Exchange Excel Consultancy, we have funded dedicated advisers to help around 850 farmers to baseline the climate impact of their farms, allowing them to evidence their credentials to their suppliers, and offering bespoke agricultural advice. Recognising the essential nature of such data to the transition, we also developed the free-to-access Exchange Explore App, which is available online to any farmer – not just our own clients.

1 Labour shortages in the food and farming sector report →

Scottish Widows

In this section

Our priority is to be a constructive partner in the transition to net zero and support our clients throughout their own transition journeys.

Over the next few pages we cover Scottish Widows' strategy, risks and opportunities and progress against targets to support the transition to net zero.

Entity and product-level disclosures for the year ending 2024, required under the Financial Conduct Authority's (FCA's) ESG Sourcebook, will be published by June 2025.

Scottish Widows Group also underwrites the home insurance propositions for Lloyds Banking Group. Details of this can be found on **page 103** of this report.

Our investments' carbon footprint[1] is the principal metric for measuring our investment portfolio's financed emissions and monitoring progress towards our targets. This metric is calculated from Scottish Widows' Scope 3 financed emissions which are calculated from the Scope 1 and 2 emissions generated from our investments or lending.

Our ambition

Align all our investments with the goals of the Paris Agreement, reaching net zero carbon emissions by 2050 or sooner (from a 2019 baseline). To support this, we have set ourselves the following targets.

2025

Invest between £20–25 billion in climate-aware investment strategies[2], with at least £1 billion invested into climate solutions investments[2]

2030

Halve the carbon footprint[1] of our investment portfolios ⊛

1 Carbon footprint is a measure of carbon intensity calculated as absolute value of emissions applicable to an investment divided by the value of investment.

2 Climate-aware investment strategies: This refers to funds that have a focus on investment in companies that are either adapting their businesses to reduce carbon emissions or developing solutions to address climate change. We will invest in climate solution investments either within these strategies or other funds. For more information on our calculation methodology for these targets please see the sustainability metrics basis of reporting 2024 which is available online in our sustainability downloads →

⊛ Indicator is subject to limited assurance by Deloitte LLP, for further details see **page 03**.

Transition to net zero and protecting nature continued

Scottish Widows continued

Progress against targets

Carbon emission reduction ambition and targets

By aiming for gradual reduction in overall emissions contained in our investment portfolios to net zero by 2050, we are engaging with companies we invest in directly, and via our investment management partners, to encourage them to embark on decarbonisation pathways of a scale and pace needed to meet the global warming objectives of the Paris Agreement.

The extent to which we can meet our 2030 target and 2050 ambition is influenced by the pace towards net zero of the wider economy. However, our investment decisions on asset allocation, company exclusions and shareholder engagement are consistent with the transition to net zero in the real economy.

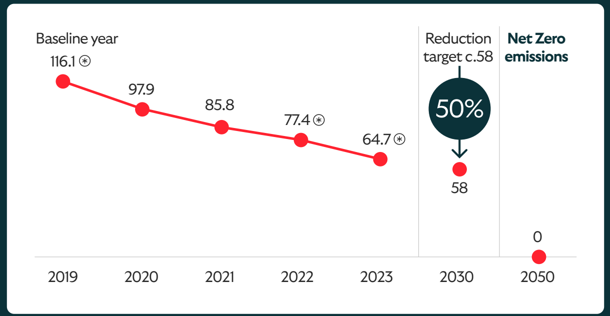
£25.9bn⊛

achieved in discretionary investment in climate-aware strategies by the end of 2024

£2.1bn⊛

achieved in discretionary investment in climate solutions by the end of 2024

Carbon footprint (tCO_2e/£m)



As the carbon footprint is sensitive to market fluctuations in addition to the absolute value of emissions and our own investment activity, we expect to see short-term variation of the footprint and will be studying the medium-term trend from future reporting.

Our 2023 carbon footprint was 64.7 tCO_2e/£m, down from our 2019 baseline of 116.1 tCO_2e/£m. The carbon footprint has continued to decline from 2019 to 2023. Whilst investee company emissions have declined, most notably in 2020 because of reduced production and energy usage during the Covid pandemic, company market values have increased by more in 2023 which has led to a further reduction in the footprint. Further details can be found on **page 121**.

Embark Group

Since 2022, the Embark Group has been a wholly owned subsidiary of Scottish Widows and represents the interests of nearly 485,000 individual clients with c.£39 billion[1] of assets under administration (of which the Embark Investments Authorised Corporate Director has responsibility for c.£480 million), Embark manufactures wealth platform and pensions propositions for the retail brands within Lloyds Banking Group, for Scottish Widows and for other third-party brands.

Embark continues to develop its ESG approach to align with that of Scottish Widows in support of investors looking to make better-informed and responsible investment decisions. Within the packaged investment and pensions propositions Embark manufactures for Lloyds Banking Group brands, investment content is manufactured by the Scottish Widows Unit Trust Managers Authorised Corporate Director.

Embark Group recognises that the TCFD recommendations provide an important framework for stronger engagement on climate-related risks and opportunities with the management teams of companies represented in its investment solutions. There are additional ongoing efforts to providing financial advisers and customers who access the Embark platform with tools and information to foster greater awareness of where and how they can allocate capital to support investment in ways which represent their views on ESG matters.

1 Note this £39 billion does not form part of the net zero ambition or supporting targets outlined in this report, due to the majority of this being customer-directed funds managed by third parties.

2 2022 and 2019 metrics have not been restated in the current period and were previously subject to limited assurance by Deloitte LLP in 2023. This limited assurance report is available at sustainability downloads →

⊛ Indicator is subject to limited assurance by Deloitte LLP, for further details see **page 03**.

Climate Action Plan (CAP): Progress update

Financing reduced emissions will be a key factor in supporting a global transition to a net zero carbon economy and having a world worth retiring into. Our first CAP was announced in early 2022, with strategic actions to achieve our 2050 ambition of net zero across our full portfolio. We also have interim 2025 investment and 2030 emissions reduction targets on the path to achieving our net zero ambition.

Product development and strategic asset allocation actions have seen Scottish Widows achieve both 2025 targets early. We exceeded our 'at least £1 billion in climate solutions' target in 2023; assets under management (AUM) as at end of 2024 was £2.1 billion.

We also exceeded the upper range of our £20-25 billion target for investing in 'climate-aware' strategies, ending 2024 with £25.9 billion. Finally, we continue to progress on our 2030 target to halve portfolio emissions versus our 2019 baseline. At the end of 2023 (latest available date with emissions data) our in-scope AUM was £180.8 billion; our carbon footprint of this AUM was 64.7 tCO_2e/£m invested. This is down 44 per cent from our 2019 baseline of 116.1 tCO_2e/£m and down 16 per cent year-on-year (versus 77.4 tCO_2e/£m invested in 2022).

Intensity measures such as carbon footprint are appropriate to assess trends for continually growing asset bases such as Scottish Widows. However, to reach net zero, absolute levels of financed emissions must also fall, which we have seen in our portfolio at the end of 2023 versus end of 2022 (9.7 $MtCO_2e$ versus 10.2 $MtCO_2e$).

Please note, as the carbon footprint is sensitive to market fluctuations in addition to the absolute value of emissions and our own investment activity, we expect to see short-term variation of the footprint and will be studying the medium-term trend from future reporting.

Updating our CAP for 2025-2030

It is important to note that the existing CAP was developed in alignment with the IIGCC Net Zero Investment Framework, reflecting industry best practice. Our intention is to publish an updated Scottish Widows CAP in 2025 to reflect updated industry guidance, set new targets in line with how our business is developing and expand the scope of our plan to embed nature and social factors into it for a more holistic approach to net zero.

Principles for evolving the CAP

Our intention is to evolve the CAP with the following principles guiding our approach:

1. Be aligned with how we are evolving our investment proposition (e.g. new default) and business
2. Take a more holistic approach to net zero that reflects the interconnectedness of climate with nature and social issues
3. Focus on real-world outcomes to enable the transition with levers we have available to influence
4. Be aligned with updated industry frameworks, including the Net Zero Investment Framework (NZIF) 2.0 and the UK Transition Plan Taskforce (TPT) guidance on transition planning for asset owners
5. Clear articulation of global warming trajectories we are currently on, dependencies on policy shifts, and incorporation of checkpoints

Target areas and considerations

We are currently considering four types of targets in the updated CAP: some new, some evolutions of existing targets.

1. Emissions (evolve)
2. AUM (evolve)
3. Transition Alignment (potential new target)
4. Nature (potential new target)

Appropriate targets are dependent on how our proposition will evolve and will be underpinned by data analysis and AUM growth assumptions.

Indeed, as we indicated in the original CAP, Scottish Widows will require real economy decarbonisation to occur alongside our investment activities to be able to reach net zero across our full portfolio. This is true for all our peers.

Actions pillars

To achieve our targets and transition objectives, we aim to have three main action pillars in the new plan, in line with our Responsible Investment implementation toolkit:

Our Responsible Investment implementation tool

Stewardship	Integration	Allocation
Exercise shareholder rights to encourage companies to plan and evolve their activities responsibly and engage with policymakers	Embed ESG factors within investment processes e.g. through exclusions policy to screen out 'worst offenders', ESG tilts and carbon targets	Considering sustainability trends and impacts when making capital allocation decisions, including allocation to sustainability themes such as low carbon solutions
Corporates	Exclusions	Strategic asset allocation
Asset managers	ESG tilts	Asset manager selection
Industry & policy	Decarbonisation	Public & private market solutions

Risks and opportunities

Climate-related risks and opportunities over the short, medium and long term

As part of Lloyds Banking Group, Scottish Widows Group approaches climate risk management in a consistent way to the overall Group. Details of the Lloyds Banking Group approach, including definitions, and examples of risks and opportunities that arise in relation to climate change can be found in pages 154 to 157 of the Group's annual report and accounts 2024 →

More detail on how Scottish Widows Group recognises climate risk is set out on **pages 136 to 137** of this report.

Identified risks

As identified in pages 154 to 157 of the annual report and accounts 2024 → climate risk manifests in two main categories: Physical Risk and Transition Risk, with the Group considering risks from the perspective of inbound risks, where the external environment affects the Group and outbound risks, the risks that the Group places on society.

In the context of Scottish Widows the main climate-related risks impacting insurance and annuities include:

Key commercial considerations of climate change in the context of demographic risk:

Mortality risk	Potential for people to die sooner than expected due to climate-related factors (e.g. temperature shocks and volatility or air pollution) resulting in increased life insurance claims.
Morbidity risk	Potential for people to become sick more often than expected or for longer than expected due to changes to climate (e.g. spread of vector borne disease, impact on resources or deteriorating air quality) resulting in increased critical illness and/or disability claims.
Longevity risk	Potential for reduced excess winter mortality due to warmer conditions.

Physical risk may impact our business through:

Market and credit risk	The value of assets held by Scottish Widows will be affected by balance sheet performance of the underlying companies while government bonds values will be affected by economic performance. Damage and revenue disruption from extreme weather events could erode value on a short or long-term basis depending on the hazard type and the impact on the affected assets.

Transition risk may impact our business through:

Market risk	Risk of loss of value of shareholder or customer assets due to poor, late or costly transition by the companies we invest in; there will be winners and losers during the transition with more significant impact on those companies deemed to be less valuable in the new economy.
Credit risk	Corporate customers who are in sectors specifically exposed to the transition will see potential disruption to business models, impacts from upward pressure on carbon-related costs and likely increased expenses as they try to adapt. This will lead to changes in their balance sheets that may ultimately increase the credit risk of lending to them.
Litigation or reputational risk	Risk from not delivering on public targets and commitments or not clearly disclosing current position on climate or from poor management of customer/client exposures.
Regulatory risk	Risk from not meeting existing and upcoming climate-risk-driven regulatory requirements. New climate-related regulation may be costly to implement and lead to additional processes, data and resources; diverging regulation across jurisdictions may add risk.

The speed with which the wider economy transitions and the extent to which we align with this will affect the level of exposure we have to these risks. The time horizons during which these risks may manifest is uncertain. We have translated these risks into overarching risks impacting our business, and more details are on **page 136**. We use continuous risk management and qualitative assessments to help consider the materiality of these risks to our business which helps to inform the controls that we have in place to monitor and manage the risks.

Identified opportunities

We believe that implementing our net zero strategy and our engagement activities highlighted on **pages 119 to 120** provides an opportunity for us to play our part in contributing towards change in the real economy. This not only enables us to help tackle climate change and nature loss as systemic risks and shape a more sustainable world to retire into, but also provides the opportunity to build more resilient investment portfolios in the long term.

Engagement, partnerships and initiatives

Partnerships, initiatives and collaborations

Our active participation in partnerships and collaborations fits into our goal to support and encourage greening across the real economy, beyond solely achieving a green investment portfolio.

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

While we recognise that collaboration is important, Scottish Widows will always retain its independence of thought and action in respect of our responsible investment activities.

A new, unique strategic partnership with Robeco

Scottish Widows has announced a new strategic partnership with sustainable investing leader Robeco to take its responsible investment approach to the next level. The focus of the partnership will be on two initial priorities in 2025. Firstly, to co-design and create new customised equities indices, with responsible investment principles integrated.

Using Robeco's specialist frameworks and expertise, the indices will be exclusive to Scottish Widows and feature ESG tilts underpinned by the United Nations Sustainable Development Goals as well as a range of forward-looking climate measures, with Scottish Widows' exclusions policy also applied in full.

The bespoke Robeco-Scottish Widows indices will be deployed across Scottish Widows' investment offering for UK pension savers, with responsible investing fitted as standard.

Secondly, we will work closely with Robeco's sustainable investing centre of excellence on research and analysis related to our priority themes, such as climate and nature, and leverage their excellent frameworks to enhance our approach, including the development of our Climate Action Plan.

Corporate engagement

During 2024 we continued to engage with corporates directly. As previously outlined we have created our own assessment framework combining indicators from Climate Action 100+ (CA100+), Transition Plan Taskforce and the International Labour Organization, and industry-specific indicators from the Accelerate Climate Transition (ACT) Initiative and Science Based Targets initiative (SBTi).

These include targets for carbon reduction, commitment to embed climate considerations into executive reward, and whether the businesses had developed a policy or programme to reduce their impact on biodiversity and deforestation.

Based on the CA100+ benchmark assessments, where companies were still missing a selection of the expectations set by CA100+, we voted against the management of some of the companies we had engaged with. We followed these up with further letters to the companies explaining why we had voted against management and repeating our expectations for these high-emitting companies. At the end of 2023, we co-filed a resolution at Shell Plc's AGM to support the company to align its medium-term emissions reduction with the goal of the Paris Agreement. Further details can be found in the Scottish Widows' Responsible Investment and Stewardship Report 2024, which will be published later this year. The 2023 report can be found here →

Climate Action 100+ (CA100+)

As asset owners and supporting member signatories, we have continued to publicly support the goals of the initiatives of CA100+ and have used the net zero benchmarks in our own engagement activity. We have been involved in several communications to companies as part of the CA100+ initiative, as well as participating in meetings with companies on their climate strategies.

Industry initiatives

Institutional Investors Group on Climate Change (IIGCC)

The IIGCC is the European membership body for investor collaboration on climate issues, with more than 400 members representing $65 trillion of assets.

Our IIGCC membership is one of the most important elements of our industry-level responsible investment activities. The following provides a summary of our key activities with the IIGCC during 2023 and 2024.

Scope 3 GHG Emissions Project Group

Inclusion of Scope 3 (value chain) GHG emissions into calculations and portfolio target setting with respect to net zero remains a key challenge for the investment industry. In the second half of 2023, the IIGCC convened a project group to develop guidance for investors to address their Scope 3 portfolio emissions. The collaboration concluded during 2024. The two key deliverables from this group were: a Discussion Paper → in Quarter 1 of 2024 that identified specific material challenges for investors with respect to addressing Scope 3 emissions; and a subsequent Supplementary Guidance report → to provide good practice examples and practical solutions to those challenges, published in Quarter 4.

We continue to contribute to the development, review, and ultimate communication of guidance for other asset classes.

Net Zero Voting Guidance and Asset Owner Stewardship Working Group

We continue to contribute to the Asset Owner Stewardship Working Group, that allows for collaboration and best practice sharing among asset owners on climate-related matters. In early 2024, IIGCC published its Net Zero Voting Guidance, as a follow-on from the Net Zero Stewardship Toolkit developed in 2022, to support asset owners and investment managers to develop their own net zero voting policies and practices. The guidance highlighted a principles-based approach, giving examples of how different investors were using the full range of resolutions and options available to shareholders in seeking to secure real-world emission reductions.

Transition to net zero and protecting nature continued

Scottish Widows continued

UK Asset Owner Council

We remain active participants of the UK Asset Owner Council (formed in 2024 through a merger of the UK Asset Owner Responsible Investment Roundtable and Occupational Pensions Stewardship Council (OPSC)).

Scottish Widows played a significant role in roundtable discussion supporting its then Chair, Faith Ward, to publish academic research, conducted by Dr Andreas Hoepner, to investigate whether asset owners and investment managers were aligned in their proxy voting. The research reviewed investor voting activities in the oil and gas sector and the gap between asset owners' expectations and investment managers' voting activities. It highlighted the varying degrees of misalignment between the two, with stronger discrepancies noted in relation to voting on resolutions related to US-based oil and gas issuers. This indicated that some managers may be regarding voting and engagement on ESG matters as mutually exclusive.

The research provided evidence to initiate constructive dialogue between asset owners and investment managers, kicking off with a roundtable in October 2023. It has also prompted interest from the wider industry, including the regulators, on this issue. The next step is for the Council working group to support UK asset owners in clearly articulating their stewardship expectations and aims for asset managers, including relating to managers' stewardship approaches, decisions and voting rationale. Scottish Widows continues to remain closely involved in this ongoing exercise.

UK Sustainable Investment and Finance Association (UKSIF)

As a member of the public policy influencing group UKSIF since 2021, we have contributed to its forums and consultations to drive industry best practice and advance the regulatory and policy agenda for creating well-functioning markets, embracing and embedding a sustainable, long-term outlook.

Alongside several other financial institutions and UKSIF, we wrote to the Prime Minister in August 2023 expressing concern at the government's public statements and policy signals regarding net zero. This could undermine confidence in the UK's commitment to meeting its medium- and long-term net zero goals, and we urged the government to provide long-term policy certainty on issues like carbon pricing mechanisms, transition to electric vehicles, and improving energy efficiency standards for housing.
The letter noted that the finance industry can help drive capital towards innovative companies and infrastructure, delivering prosperity and creating jobs, also aligned to ambitions of the Chancellor's Mansion House speech.
We believe that to protect the UK's competitive advantage as the world's largest net exporter of financial services, purposeful and predictable sustainable finance policy is fundamental, and can help position the UK's financial services sector as a global leader in green investment.

Transition Pathway Initiative (TPI)

We continue to leverage the data provided by the TPI to improve our engagements with our investee companies. The TPI delivers regular webinars, sharing with asset owners how the sectoral assessment methodologies it has developed can be used. We also used the TPI's sector-specific assessment methodologies in our communications with companies in 2023 and 2024, enabling us to develop sector-specific expectations we would like our investee companies to work towards.

Metrics and targets

Overview of financed emissions

Our 2023 carbon footprint was 64.7 tCO_2e/£m, down from our 2019 baseline of 116.1 tCO_2e/£m. The carbon footprint has continued to decline from 2019 to 2023. Whilst investee company emissions have declined, most notably in 2020 because of reduced production and energy usage during the COVID-19 pandemic, company market values have increased by more in 2023 which has led to a further reduction in the footprint.

Note the assets under management (AUM) of £180.8 billion at year-end 2023 represents the total assets in scope of our headline net zero target.

Further detail of financed emissions

Our carbon footprint is a key indicator in helping us assess our progress against our net zero ambition. Although we also present weighted average carbon intensity, in line with developing industry practice and regulatory expectations, carbon footprint is still our preferred measurement of progress against our net zero ambition. The metrics and targets we monitor help to inform our investment strategy as demonstrated in our Climate Action Plan, namely the launch of our climate-aware investment strategies.

For further information on these strategies, see the Climate Action Plan (CAP): Progress update section on **page 117**.

Refer to the sustainability metrics basis of reporting 2024, available online in our sustainability downloads → for details on how our financed emissions metrics are calculated.

Total financed emissions

		Total AUM £bn	AUM in scope of PCAF methodology and for which emissions data is available (excluding sovereign debt) £bn	In-scope AUM for which emissions data is available %	Estimated total $MtCO_2e$ (Scope 1 emissions for investments where data is available)	Estimated total $MtCO_2e$ (Scope 2 emissions for investments where data is available)	Estimated total $MtCO_2e$ (Total Scope 1 and 2 emissions for investments where data is available)	PCAF data quality score	Carbon footprint (where data is available)[1] (tCO_2e/£m invested)	Weighted average carbon intensity (where data is available)[2] (tCO_2e/£m sales)
2023	Policyholder	158.7	133.0	84%	7.0	1.7	8.7	2.2	64.7	133.1
	Shareholder	22.1	15.0	68%	0.7	0.3	1.0	3.5	65.2	75.2
	Total	**180.8**	**148.0**	**82%**	**7.7**	**2.0**	**9.7** ⊛	**2.3** ⊛	**64.7** ⊛	**129.4**
2022	Policyholder	145.7	115.1	79%	7.3	1.8	9.1	2.3	77.7	192.0
	Shareholder	20.7	12.7	61%	0.8	0.3	1.1	3.7	75.6	121.5
	Total	**166.4**	**127.8**	**77%**	**8.1**	**2.1**	**10.2**	**2.4**[3]	**77.4**[3]	**188.0**
2019	Policyholder	143.1	96.6	68%	9.1	1.9	11.0	2.1	116.6	N/A
	Shareholder	26.7	14.4	54%	1.0	0.5	1.5	3.7	112.3	N/A
	Total	**169.8**	**111.0**	**65%**	**10.1**	**2.4**	**12.5**	**2.3**[3]	**116.1**[3]	**N/A**

1 Emissions per £1 million invested is calculated using the market value of equity + book value of debt investment rather than the AUM in the table where assets are quoted at market value. The market value of equity + book value of debt equivalent total is £150.5 billion for 2023 (£131.5 billion for 2022). Note: coverage for weighted average carbon intensity may be lower than for carbon footprint due to lack of revenue data on certain asset types.
2 Weighted average carbon intensity expresses the portfolio's financed emissions per unit of sales revenue of the investee companies.
3 The metrics for 2019 and 2022 have not been restated in the current period and were previously subject to limited assurance by Deloitte LLP in 2023. This limited assurance report is available at sustainability downloads →
⊛ Indicator is subject to limited assurance by Deloitte LLP, for further details see **page 03**.

Reconciliation of assets included in emissions calculations

	2023			2022
	Policyholder £bn	Shareholder £bn	Total £bn	Total £bn
AUM Total	**158.7**	**22.1**	**180.8**	**166.4**
Less:				
Sovereign bonds AUM	12.1	3.1	15.2	13.4
Assets not in scope of PCAF methodology	5.1	2.0	7.1	5.3
Assets for which emissions data is not available[1]	8.5	2.0	10.5	19.9
AUM used to calculate financed emissions above	133.0	15.0	148.0	127.8

1 Includes investments in collective investment schemes where look through is not currently available.

Transition to net zero and protecting nature continued

Scottish Widows continued

Total financed sovereign bond emissions

Sovereign bonds

We are reporting emissions data on sovereign bonds for the first time in this report for the purposes of transparency, following the issuance by PCAF of methodology on sovereign debt in December 2022. PCAF notes that double counting of emissions of non-sovereign sectors (e.g. corporates) can occur due to accounting of emissions at sovereign territorial level, and that this therefore represents a challenge for an entity with multiple asset classes. PCAF also notes that this is not necessarily problematic if emission results of the different asset classes are clearly reported separately. Given these challenges, we will consider if and how we integrate sovereign bond emissions metrics into our targets.

		Total sovereign bond AUM £bn	Sovereign bond AUM in scope of PCAF methodology and for which emissions data is available £bn	In-scope sovereign bond AUM for which emissions data is available %	Estimated total $MtCO_2e$ for sovereign bonds including LULUCF (Scope 1, for investments where data is available)	Estimated total $MtCO_2e$ for sovereign bonds excluding LULUCF (Scope 1, for investments where data is available)	Sovereign bond carbon intensity including LULUCF (where data is available)[1] (tCO_2e/£m invested)	Sovereign bond carbon intensity excluding LULUCF (where data is available)[1] (tCO_2e/£m invested)	PCAF data quality score
2023	Policyholder	12.1	9.4	78%	2.1	2.2	200.3	207.3	1.0
	Shareholder	3.1	3.1	100%	0.6	0.6	163.7	163.4	1.0
	Total	**15.2**	**12.5**	**82%**	**2.7**	**2.8**	**191.3**	**196.5**	**1.0**

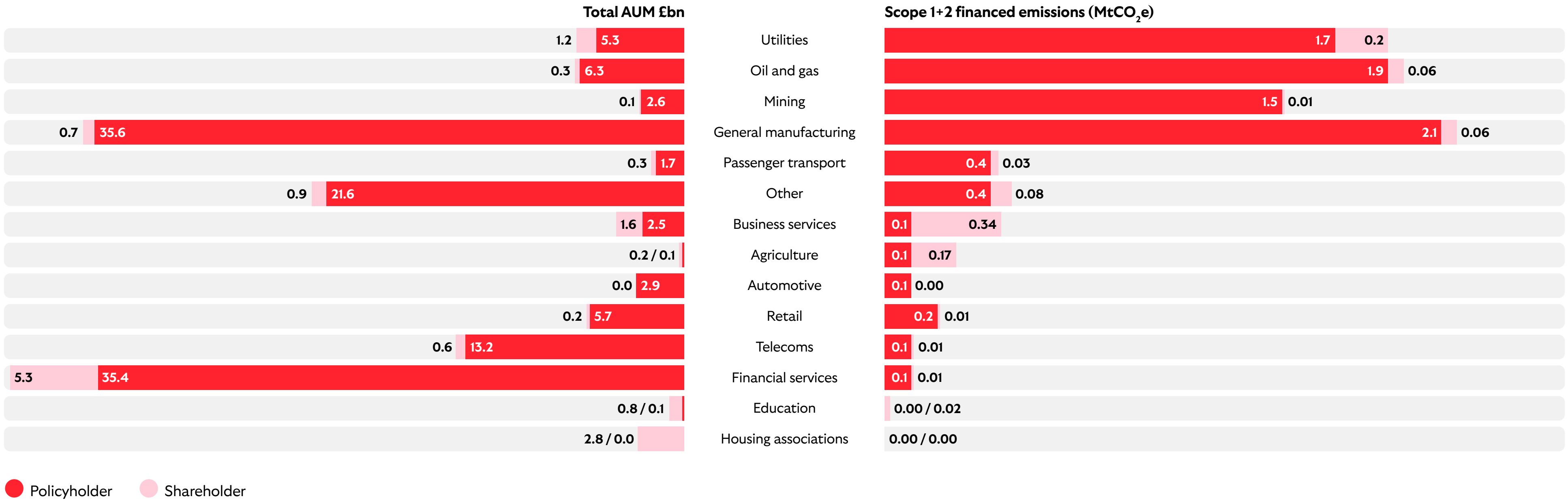
Land Use, Land-Use Change and Forestry (LULUCF)

1 Emissions per £1 million invested is calculated using the book value of debt investment rather than the AUM in the table where assets are quoted at market value. The book value of debt equivalent total is £14.0 billion for 2023.

Total financed emissions – sector breakdown

Sectoral analysis of emissions

The bar chart on the right shows a sector breakdown of the total financed emissions. This view is intended for illustrative purposes at this time and sector headings and the allocation of individual companies to sectors may be subject to revision as best practices emerge. Data is at 31 December 2023.



Transition to net zero and protecting nature continued

Scottish Widows continued

Scope 3 emissions

Scope 3 emissions include all other indirect GHG emissions (not included in Scope 2) that occur in the value chain of the reporting company. Scope 3 can be broken down into upstream emissions that occur in the supply chain (for example, from production or extraction of purchased materials) and downstream emissions that occur as a consequence of using the organisation's products or services.

When it comes to Scope 3 emissions of the companies we invest in, at this time we do not feel the data is robust enough or has wide enough coverage for us to be able to set targets using it. We will continue to watch the developments in data quality and will consider extending our portfolio targets to cover Scope 3 of our underlying holdings when there is market consensus on the appropriateness of available data. We have expanded our reporting this year to include all sectors for which we have data (in the prior year report only oil, gas and mining sectors were reported). Please note that there is a high likelihood of emissions being double counted within the following Scope 3 tables. Companies are attempting to estimate all the emissions from the supply chain of their activities, so a company's downstream emissions (the use of their products or services) may well be reported as another company's upstream emissions (purchased products or services).

Further details on our approach to Scope 3 emissions reporting can be found within the sustainability metrics basis of reporting 2024, available online in our sustainability downloads →

Scope 3 financed emissions December 2023

	Scottish Widows Group				Policyholder funds			Shareholder funds		
Sector	AUM with Scope 3 emissions data (£bn)	Scope 3 financed emissions ($mtCO_2e$)	Scope 3 footprint (tCO_2e per £m invested)	PCAF data quality score	AUM with Scope 3 emissions data (£bn)	Scope 3 financed emissions ($mtCO_2e$)	Scope 3 footprint (tCO_2e per £m invested)	AUM with Scope 3 emissions data (£bn)	Scope 3 financed emissions ($mtCO_2e$)	Scope 3 footprint (tCO_2e per £m invested)
General manufacturing	36.4	27.4	752.6	2.4	35.7	27.1	758.3	0.7	0.3	466.0
Oil and gas	6.6	24.1	3,640.1	2.5	6.3	23.1	3,647.8	0.3	1.0	3,467.7
Mining	2.7	7.3	2,711.4	2.6	2.6	7.1	2,711.6	0.1	0.2	2,706.7
Financial services	39.2	4.7	119.1	2.9	33.9	4.1	121.6	5.3	0.6	103.4
Automotives	3.0	3.9	1,308.7	2.4	2.9	3.8	1,307.4	0.0	0.0	1,452.9
Aerospace and defence	1.3	2.2	1,748.2	2.3	1.3	2.2	1,753.9	0.0	0.0	162.0
Utilities	6.2	2.2	351.0	2.9	5.4	1.9	356.6	0.8	0.3	315.3
Retail	5.9	1.7	292.3	2.7	5.7	1.6	289.4	0.2	0.1	360.5
Other	12.1	1.7	136.8	3.2	11.6	1.6	135.6	0.5	0.1	164.4
Food and drink	3.9	1.2	310.8	3.7	3.8	1.2	314.4	0.1	0.0	212.8
Construction	0.9	1.0	1,147.4	2.6	0.8	1.0	1,231.0	0.1	0.1	557.0
Wholesale	1.5	1.0	661.3	3.0	1.5	1.0	661.3	0.0	0.0	489.4
Real estate	7.3	0.5	63.3	3.0	7.1	0.5	64.9	0.3	0.0	20.0
Telecoms	13.8	0.4	30.6	3.0	13.2	0.4	29.6	0.6	0.0	51.0
Total	**140.8**	**79.3**	**562.7**	**2.7**	**131.8**	**76.6**	**581.2**	**9.0**	**2.7**	**296.0**

Scope 3 financed emissions December 2022

	Scottish Widows Group				Policyholder funds			Shareholder funds		
Sector	AUM with Scope 3 emissions data (£bn)	Scope 3 financed emissions ($mtCO_2e$)	Scope 3 footprint (tCO_2e per £m invested)	PCAF data quality score	AUM with Scope 3 emissions data (£bn)	Scope 3 financed emissions ($mtCO_2e$)	Scope 3 footprint (tCO_2e per £m invested)	AUM with Scope 3 emissions data (£bn)	Scope 3 financed emissions ($mtCO_2e$)	Scope 3 footprint (tCO_2e per £m invested)
General manufacturing	29.9	21.4	714.8	3.7	29.3	21.0	716.1	0.6	0.3	647.4
Oil and gas	6.9	23.2	3,350.3	3.9	6.7	22.7	3,367.8	0.2	0.5	2,759.0
Mining	3.5	10.2	2,966.0	3.9	3.4	10.0	2,963.5	0.1	0.2	3,076.1
Financial services	34.6	3.2	92.5	3.6	30.8	2.9	94.4	3.8	0.3	76.7
Automotives	2.3	3.4	1,465.6	3.9	2.3	3.3	1,460.7	0.0	0.1	1,824.2
Aerospace and defence	1.0	1.9	1,873.9	3.6	1.0	1.9	388.3	0.0	0.0	182.7
Utilities	5.7	2.1	371.6	3.9	5.0	1.9	1,821.1	0.7	0.3	343.5
Retail	4.7	1.6	333.5	3.9	4.5	1.5	331.8	0.2	0.1	385.0
Other	10.9	1.3	118.7	3.8	10.4	1.3	123.0	0.5	0.0	29.6
Food and drink	4.2	1.1	256.6	3.9	4.0	1.0	260.3	0.1	0.0	161.4
Construction	0.7	1.1	1,469.5	3.9	0.7	1.0	1,547.0	0.1	0.1	762.5
Wholesale	1.3	1.0	715.4	3.9	1.3	1.0	715.4	0.0	0.0	566.4
Real estate	6.8	0.4	59.4	3.7	6.6	0.4	39.5	0.2	0.0	22.7
Telecoms	10.6	0.4	39.1	3.9	10.1	0.4	59.2	0.5	0.0	48.0
Total	**123.1**	**72.3**	**586.8**	**3.7**	**116.1**	**70.3**	**605.5**	**7.0**	**1.9**	**277.3**

Nature

Nature-related issues can result in environmental risks with financial implications that matter for investors. From deforestation, to pollution and the unsustainable use of natural resources such as water, human activity is degrading the natural environment which provides the foundation for economies and businesses.

There is also a growing focus on investment opportunities related to nature that can deliver return and help shape a more sustainable world in the long term. It is therefore critical that pension providers understand their exposure to nature-related issues and how they may impact their portfolios from two perspectives – the impacts they have on the drivers of nature loss and the dependencies their investments have on natural resources and the services they provide.

Assessing our exposure to nature-related impacts and dependencies

We have partnered with the Zoological Society of London (ZSL) to develop a process which provides us with insights on nature-related impacts and dependencies within our customer funds.

To conduct the assessment, we used Exploring Natural Capital Opportunities Risks and Exposure (ENCORE), a tool which supports an assessment at sector level on sub-industries considered impactful and dependent on nature.

Looking at rankings based on the main drivers of nature loss, we were able to identify a range of sectors which consistently rank in the top three: pharmaceuticals, integrated oil and gas, electric utilities, as well as packaged food and meats.

Unsustainable use of water is a significant cause of nature loss. Accordingly, water use was selected as one of the five primary impact drivers that formed part of our assessment with ZSL. When looking at a selection of the top 1,000 companies by holding size in our funds (representing 84% of our total corporate investments), water use is shown to be the highest risk for our portfolio as per scoring defined by ENCORE due to level of dependence and/or impact on water security. Furthermore, these findings revealed that 50 per cent of companies assessed have a high to very high impact on water.

We have used the outputs of the ZSL analysis to help shape our initial sector priorities when it comes to engagement with companies we invest in and the wider industry. We will also engage on water use across a range of sectors and will carry out some further research on the issues identified. We will exercise our shareholder rights through voting to encourage companies to manage their usage of, and impact on, natural resources such as water.

Stewardship

With nature being one of our priority themes we have continued to actively engage with companies on their impacts on nature. We have continued in 2023 and 2024 to be active participants in collaborative engagement efforts to drive industry change on nature.

Nature Action 100

Nature Action 100 is a global engagement initiative mobilising institutional investors to establish a common high-level agenda for engagements and a clear set of expectations to drive greater corporate ambition and action to stem nature and biodiversity loss. The expectations outline six actions that investors call on companies to take related to the areas of ambition, assessment, targets, implementation, governance and engagement. Scottish Widows has been selected as a participating investor for three companies across chemicals, paper and packaging, and industrial industries. These engagements kicked off in 2024 with company meetings initiated. Broadly, the areas of focus selected across the companies included disclosure of nature strategies, biodiversity impact target setting, company lobbying for nature, the actions they are taking to reduce their impact, and how the companies are internally allocating the responsibility for managing their nature impacts.

PRI Spring

'Spring' is a UN Principles for Responsible Investment (PRI) stewardship initiative for nature launched in Quarter 1 2024, convening institutional investors to use their influence to halt and reverse global biodiversity loss by 2030. Spring aims to address the systemic risk of nature loss to societies, and the knock-on impact it has on long-term portfolio value creation, by enhancing corporate practices on forest loss and land degradation.

Scottish Widows sits on the Strategic Advisory Committee, providing guidance on the development and coordination of the initiative to support the PRI's decision making. In 2024 we began engaging with three companies through the initiative, including one as lead investor focusing on deforestation-related activities.

Farm Animal Investment Risk and Return (FAIRR)

We have been involved in several workstreams run by FAIRR throughout 2023 and 2024, as signatories on letters to companies across a range of themes, meeting with companies and attending site visits. The topics we have engaged on cover waste and pollution, working conditions, animal pharmaceuticals, protein diversification, restaurant antibiotics and sustainable seafood.

ShareAction Pesticides Working Group

We joined ShareAction's working group on pesticides at the start of 2024. The initiative aims to urge pesticide companies to steer their businesses away from negatively impacting biodiversity and towards supporting the transition to a sustainable global food system. The focus companies perform poorly on managing the risks their products pose to biodiversity, and they all produce numerous highly hazardous pesticides (HHPs), including many that have had high-profile environmental and human health impacts. We are looking forward to supporting the initiative and engaging with companies on this important issue.

World Benchmarking Alliance (WBA) Nature Collective Impact Coalition

Scottish Widows is a founding member of this initiative, focused on company disclosures on nature-related impacts and dependencies.

In this section

Risk management

Risk management is at the heart of creating a more sustainable future for people and businesses.

The Group is committed to protecting our customers, shareholders and colleagues while enabling sustainable growth. This is achieved through informed risk decisions and robust risk management, supported by a consistent risk-focused culture. Our ambition is to ensure that consideration of the key ESG risks facing the Group is embedded within our wider risk management processes to Identify, Measure, Manage, Monitor and Report on risk.

This section provides an overview of how we are managing ESG risk, with a particular focus on credit risk where progress is further advanced. We recognise the cross-cutting impacts of ESG risk across other risks such as conduct, people, operational and credit risk and are continuing to enhance our approach to consistently capture ESG considerations across our risk management framework.

One key area of ESG risk are the risks relating to climate change, which continues to be monitored as a principal risk within our Enterprise Risk Management Framework.

Further details on management of climate risk are outlined in the annual report and accounts 2024, however, there are some areas where our activity will continue to evolve further before it is fully embedded within risk management. Accordingly, this section also includes further detail on our evolving activity to develop climate models and scenario analysis to support the measurement of climate risks.

Link to strategy

Grow Focus Change

ESG risk management

Our long-term intention is to embed consideration of ESG risks within our risk management for other risks.

However, currently this is at different stages across other risk types, with our approach towards embedding ESG risk within the credit process most advanced. This comprises various activities across the risk management lifecycle, including management of policies, risk assessments and scoring, portfolio management and counterparty-level case management, alongside controls and monitoring.

As well as the management of risks, this section also provides further detail on evolving activities to measure risks, focusing on climate risk analysis that is not yet fully embedded with the Group's risk management processes.

The climate models and scenario analysis section includes analysis undertaken to understand potential impacts across general insurance, mortgages, social housing portfolios and commercial lending.

Scottish Widows' specific risk management content is detailed within its own distinct section on **pages 136 to 138**, recognising specific areas of focus and different stages in the development of incorporating ESG risks.

Embedding climate and broader ESG risk factors into risk management and decision making

Identify	Identify	Manage	Measure	Manage	Measure
ESG credit risk taxonomy	ESG risk indicator framework	ESG credit risk policy	ESG credit risk assessment and scoring	ESG credit risk case management	Climate models and scenario analysis (Climate Risk only)
See page 126	See page 126	See page 127	See page 127	See page 129	See page 131

- We continue to develop our approach for incorporating other ESG risks beyond climate into our risk management framework
- Consideration of ESG is more progressed in some areas, notably credit risk
- The risk management section of the annual report and accounts 2024 elaborates on climate risk, including monitoring and reporting
- Further details on how we manage risk within our Retail portfolio can be found on **page 130**

ESG credit risk taxonomy

Throughout 2024, we have enhanced and refined our ESG risk assessments, utilising our ESG credit risk taxonomy to ensure we are assessing and managing the material ESG credit risks to the Bank.

Key risk considerations

The following provides an illustration of some of the key risks we consider:

Environment
- Climate change and greenhouse gas emissions
- Nature and biodiversity
- Waste and hazardous materials

Social
- Human rights
- Labour practices
- Community relations

Governance
- Ethical corporate behaviour
- Legal and regulatory
- Customer privacy and data security

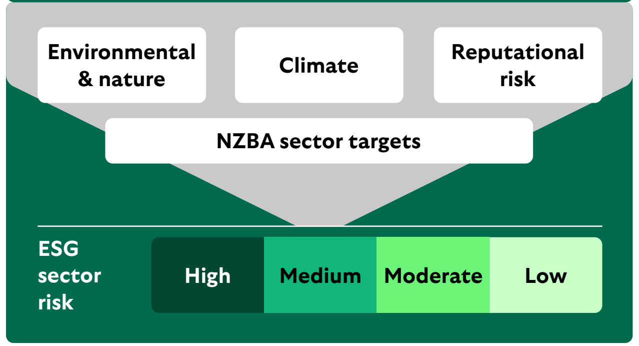
ESG risk indicator framework

In 2024, we developed and implemented an ESG credit risk indicator framework at sector level which further supports our colleagues to incorporate ESG risk considerations into client conversations and risk assessments. By leveraging insights such as quantitative emissions data, industry standards like TNFD High Priority sectors and Global Canopy's High Deforestation classifications, and qualitative sector insights, we can more effectively assess sector risk.

The framework also supports the embedding of ESG risks into strategic decision making at a sector level and is considered when setting credit appetite. To support the decarbonisation of our portfolio the framework also considers progress against our NZBA sector targets, and will help influence the shape of our future portfolio and lending mix from an ESG perspective.

In addition, we have established net zero guardrails which form part of our ESG risk assessment and credit decisioning process. The guardrails outline key activities that support the transition, such as engaging with clients to verify the credibility of their transition plans, exploring financing for clean energy technologies, and performing enhanced due diligence.

ESG credit risk indicator sector framework



ESG credit risk policy

Throughout 2024 we enhanced our ESG risk policy framework by broadening and deepening our client coverage and developing bespoke Climate assessments and dedicated Environmental and Nature and Social and Governance assessments.

These assessments help us to gain deeper understanding of our clients' risks and opportunities, which helps us to deliver against our own ESG ambitions.

In addition, for sectors with inherently high reputational risks, we have also developed a dedicated policy to control the Group's credit risk appetite, ensuring enhanced due diligence is undertaken to manage the risks associated with operating in these sectors.

ESG credit risk assessment and scoring

Our ESG risk management process continues to evolve and enhance the existing credit assessment process.

In 2024, we launched a consolidated, risk-based qualitative ESG risk assessment for our corporate, institutional, and mid-corporate clients using our ESG tool. These assessments encompass climate, environmental and nature, social and governance, and reputational risk.

Our assessments are risk based, required at origination and apply to both counterparties and transactions where appropriate. They are monitored on an ongoing basis throughout the customer lifecycle, including at specific risk trigger points.

We have defined ESG risk triggers to identify higher-risk cases, which are then subject to enhanced due diligence by our ESG risk specialists. Examples where enhanced ESG due diligence is required include cases that are within scope of the Equator Principles or where there are potential conflicts with our net zero guardrails or the requirements of our external sector statements →

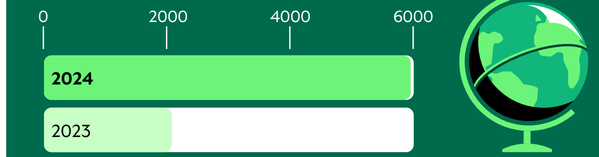
This process is integral to our control framework, ensuring that our lending complies with our ESG commitments. If concerns are identified during an ESG risk assessment, we will engage with the client or take mitigating actions to ensure the lending remains within risk appetite and aligns with our external commitments. See ESG credit risk case management for further details.

We continue to integrate outcomes from our risk assessments into our credit risk decision-making processes and consider these outcomes when setting sector or client-level appetite in certain cases. Where elevated ESG risks are identified in lending applications that require escalation, the ESG credit risk team conduct enhanced due diligence and summarise any findings/recommendations for the credit officer to consider in their credit sanctioning decision. This supports credit officers in ensuring our lending aligns with our appetite and allows them to consider recommendations from the ESG credit risk team, which may also result in the establishment of relevant loan conditions or covenants, such as those for transactions within the scope of the Equator Principles.

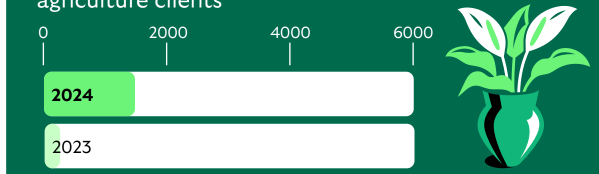
ESG risk assessments

The number of clients completing an ESG risk assessment across Commercial Banking continues to increase.

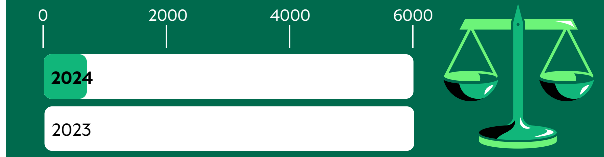
Climate
Rolled out to NZBA sectors



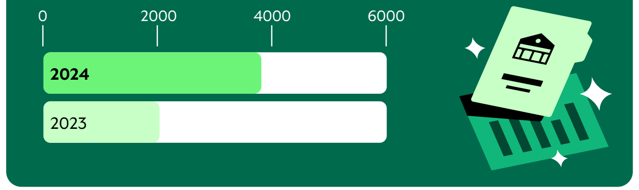
Environmental and nature
Launched to our corporate clients, and SME agriculture clients



Social and governance
New dedicated assessment (previously covered under reputational risk)



Reputational risk
Uplift in volumes driven by broadened policy scope



Risk management continued

ESG credit risk scoring & risk assessment continued

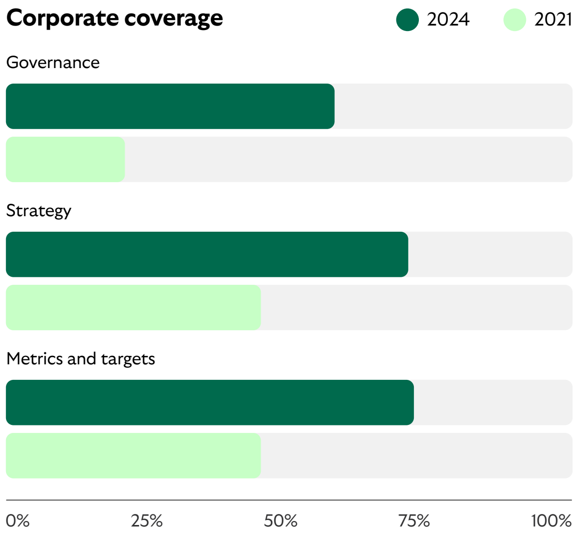
Climate

Throughout 2024 we have continued to enhance our climate transition risk assessments within our ESG tool.

- We updated our assessment criteria, incorporating methodology from our Credible Transition Plan (CTP) programme which follows the Transition Plan taskforce's three core principles (for more detail see **pages 85 to 87**)
- We developed bespoke assessments and expanded our coverage to key net zero sectors: SME agriculture and SME commercial and residential real estate
- For SME clients outside of these sectors, we have developed a climate risk assessment, which we plan to launch in 2025

ESG tool: climate insights

For our corporate coverage clients, insights from our climate risk assessments show continuous improvement in the percentage of clients taking action across key focus areas for managing climate risk, since implementing our ESG tool in 2021.



Environmental and nature

The Group recognises that nature potentially poses a significant financial risk for the UK. Following the completion of our ESG credit risk taxonomy in 2023, a materiality assessment classified environment and nature as a material ESG risk for the Bank.

In 2024, we launched our first environmental and nature assessments for our corporate and institutional banking and SME agriculture clients, aligning with best practice guidance and recommendations to strengthen risk management and prepare for evolving regulations.

What is environmental and nature risk?

This can materialise as a:

- Direct risk where, for example, the Bank could become liable for the remediation of a site if we were to take possession

or

- Indirect risk where, for example, the borrower could be impacted by fines/inability to trade arising from pollution incidents or non-compliance with regulation

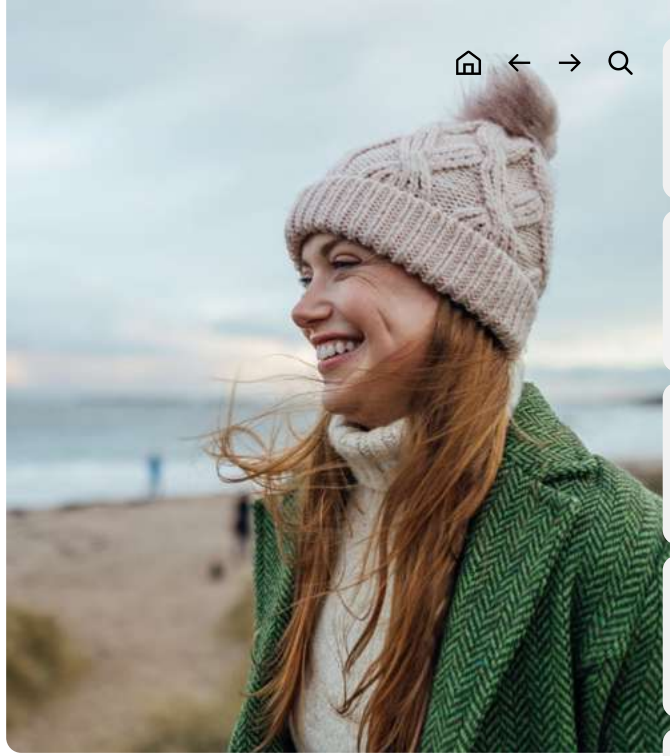
In addition, this risk could also crystallise if a borrower was unable to meet the costs of evolving environmental regulation or remediation which may impact their ability to service debt or affect the value of security held.

These assessments allow us to gather data on how our clients are responding to their nature-related impacts, dependencies, risks and opportunities, as well as allowing us to identify opportunities where we can support our clients in their nature-related transition. The initial integration of nature into the credit risk process is an example of how we are beginning to assess potential nature-related risks.

This year we improved our understanding of our potential exposure to deforestation and land conversion for our Commercial Banking and Scottish Widows' Loan Investments portfolios. Through a desktop study using data sources such as Forest IQ and CDP, we assessed our clients' exposure to deforestation, and how they are managing associated risks. Our findings supported the development of a new external sector statement on Forestry and Agricultural Commodities → The new statement details our approach to deforestation and land conversion. This includes new requirements and expectations for our in-scope clients involved with the following agricultural forest risk commodities in their direct operations and/or supply chains: palm oil, soy, beef and leather, timber, pulp and paper, rubber, cocoa and coffee.

Our environmental and nature risk assessment is a key control to ensure compliance with our external sector statement on forestry and agricultural commodities. Through the risk assessments, we gather information on our clients' involvement with key agricultural forest risk commodities, whether they have obtained relevant memberships or certifications; and any operations located in countries with high deforestation risk. See Eliminating Commodity-Driven Deforestation Finance Sector Roadmap → We also use the risk assessment to confirm that clients' direct operations are not associated with the prohibited activities outlined in the statement such as deforestation or clearance in protected areas.

Our most material areas, as identified through our materiality assessment, are agriculture and the built environment. We are enhancing our understanding of our clients' dependencies and impacts on nature, aligned to the TNFD LEAP approach. The ESG tool could be evolved to manage specific nature-related risks that are identified through a LEAP assessment.



Social and governance

We manage the social and governance risks associated to our clients through a dedicated assessment covering corporate, institutional and mid corporate clients. These assessments support adherence to our modern slavery and external sector statements covering issues such as: human rights and modern slavery, regulatory investigations, social washing, trade in high-risk goods and jurisdictions.

Reputational risk

Reputational risk is a key factor in our credit risk process and for our corporate, institutional and mid corporate clients, a specific reputational risk assessment is created dynamically based on the inputs to our ESG risk assessments which factor in climate, environmental and nature and social and governance considerations alongside the risks associated with the sector itself. For SME clients, specific reputational risk assessments are completed for clients operating in our higher risk sectors. Further detail on reputational risk is covered in the case management section.

ESG credit risk case management

Embedding ESG into the credit risk management framework

01 → 02 → 03

Risk assessment

Clients and transactions are classified based on their risk score, following completion of the ESG tool

- **Low risk** – Leaders
- **Moderate**
- **Medium**
- **High risk** – Support required

Enhanced due diligence

Specific heightened risks are subject to enhanced due diligence as defined in ESG credit policy

01 Review identified risk factors

02 Client engagement

03 Escalation to ESG credit risk team

04 Independent review by ESG credit risk team

Resulting actions

ESG risk team provides analysis to support credit decisioning for

- Climate
- Environmental & nature
- Reputational risk

ESG risk team oversees formal approval process for reputational risk

Key activity

ESG credit risk assessment and scoring
Consistent assessment across client peer group

Enhanced due diligence
For clients or transactions based on score or trigger events

Ongoing monitoring
Client ESG risk assessments updated where new material information is identified

As part of our ESG credit risk management framework, clients and transactions are assessed using our ESG tool which assigns individual risk scores. We use these score outcomes from the ESG tool to identify higher-risk cases that are subject to enhanced due diligence in line with policy by our ESG risk specialists. Where areas of concern are identified, we will engage with the client or take mitigating actions to ensure the lending remains within internal policies, risk appetite and our external commitments.

We ensure that ESG-related risks are considered for all Commercial Banking clients with whom we have a direct lending relationship, with specific commentary in new and renewal credit applications where total aggregated hard limits exceed £500,000 (excluding automated decisioning processes and digital or telephony applications for smaller counterparties).

ESG commentary and ESG tool thresholds are regularly reviewed to ensure ESG risks are effectively managed for each business unit.

Relationship managers are responsible for evaluating the clients' activities in relation to the Group external sector statements, with controls built into our ESG tool to identify potential conflicts for enhanced due diligence. This process has been updated to reflect our approach to forestry and agricultural commodities, and requires relationship managers to consider and attest that our clients are in compliance with our external sector statements, with second line oversight provided by credit officers and our specialist ESG credit risk team where appropriate.

All cases escalated for reputational risk are approved by a designated business representative or legal entity accountable executive. Cases escalated for climate, environmental and nature risks are overseen by specialist teams.

Where specific or material environmental risks or concerns are identified, these may be referred to external risk consultants for an opinion on the adequacy of the mitigants in place or recommendations on managing the risk. The key findings from such due diligence are factored into credit applications and will be considered as part of the credit decisioning process.

We also recognise the heightened environmental, social and governance risks associated with activities in a number of sectors which we deem to be higher risk. As such, we ensure enhanced due diligence is undertaken for new/additional finance requests where material concerns are identified.

Examples of our higher risk sectors are shown below.

Higher risk sectors

- Coal and mining
- Military goods and services
- Animal welfare and testing
- Tobacco, vaping and cannabis
- Gambling and gaming
- Debt management and short-term finance

Risk management continued

ESG credit risk management continued

The Equator Principles

The Group continues to be a signatory to the Equator Principles, which is a risk management framework for managing environmental and social risks in specific project finance transactions, such as large-scale energy, industrial or infrastructure projects. It aims to ensure that such transactions, where the Group provides finance or advice, meet minimum standards for environmental and social due diligence and monitoring in keeping with responsible banking practices. Equator Principles transactions are subject to enhanced due diligence.

For transactions that fall within the obligations of the Equator Principles, the ESG credit risk team ensures the correct application of our internal ESG credit risk policies and procedures. This includes the review of environmental and social due diligence reports, or advising on specific requirements of the Equator Principles, and the review of any annual or ad hoc environmental and social compliance reports as required.

For environmental risk including the Equator Principles we have external retained environmental consultants from whom we can seek additional advice or recommendations at a counterparty or transactional level.

Retail Homes

- Climate risk is managed through the integration of third-party data within credit decisioning with EPC controls for new and existing lending for buy-to-let, and property-specific costs associated with climate transition considered as part of the residential affordability assessment
- Physical risks, such as flooding, are managed within mortgage origination with properties exposed to increased flood risk requiring a physical inspection; we do not lend on uninsurable properties
- Risk appetite metrics control the flow of less energy efficient properties using EPCs, and properties exposed to increased flood risk based on an external risk score which assesses both the likelihood and impact
- Our considered approach to risk management reflects challenges in climate policy, data and models, and ongoing need for collaboration with government and agencies like Flood Re to mitigate flood risks

Retail Motor

- We adopt a measured approach to electric vehicles (EVs), reflecting ongoing technology developments and consumer demand, ensuring growth is reviewed and risks are managed, while supporting the transition from internal combustion engines to EVs
- We continue to enhance our risk appetite framework, and take risk mitigation where appropriate
- For new partnerships, we use the ESG tool risk assessments to evaluate climate, environmental and nature, social and governance and reputational risks for large corporate businesses, ensuring a consistent approach across Commercial Banking and Retail
- For further details on how we consider residual value risk for retail motor (see page 164 of our annual report and accounts 2024 → for credit performance of UK Motor Finance)

Climate models and scenario analysis

Scenario analysis enables us to explore economic impacts and financial risks arising from climate change. This provides a way for us to assess potential implications of plausible future states under conditions of uncertainty, considering how the future might look if certain trends continue, or certain conditions are met.

Internally, we follow a set of principles laying out best practice and key considerations when we undertake climate scenario analysis including determining use case, model selection, identification of credible external sources of data and governance.

Climate scenario analysis is important to the Group as it can help to drive alternative views and insights to inform how we manage the main risks. One of the main uses is in quantifying the impact of climate risk on our expected credit loss.

Further information included in our annual report and accounts 2024 → on pages 282 to 283.

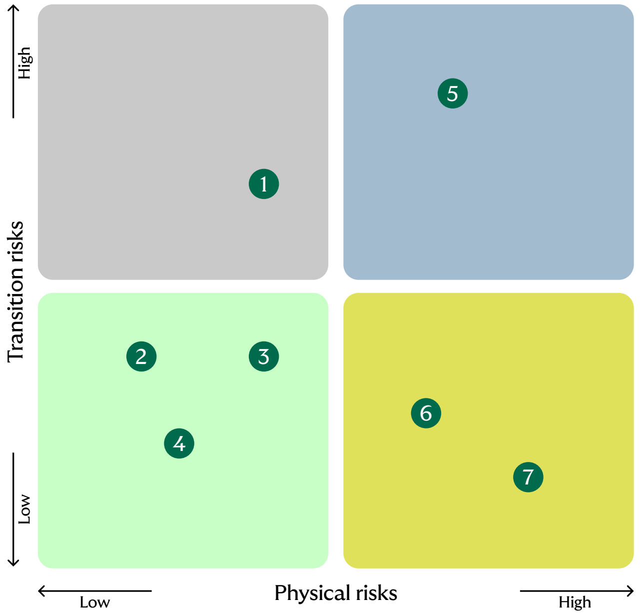
Scenario pathways

Climate scenario analysis covers carbon emissions but other aspects of sustainability, and their interaction with climate change, are not currently addressed in our approach. The scenarios are characterised by their overall levels of physical and transition risks see page 50 of our annual report and accounts 2024 → for definitions. Each scenario explores a different set of assumptions about how climate policy, technology, emissions and temperatures evolve. We consider a range of forward-looking climate projections and methodologies, including:

Shared Socioeconomic Pathways (SSPs) – projected socio-economic global changes up to 2100, as defined in the IPCC Sixth Assessment Report on climate change in 2021. It influences greenhouse gas emissions reduction and climate adaption in scenarios with different climate policies.

Representative Concentration Pathways (RCPs) – multiple pathways of greenhouse gas (GHG) emissions and atmospheric concentrations, air pollutant emissions and land use covering a range of mitigation scenarios with varying degrees of stringency.

Network for Greening Financial System (NGFS) Climate Scenarios



Key

- Disorderly
- Orderly
- Too little, too late
- Hothouse world

1. Delayed transition
2. Net Zero 2050 (1.5°C)
3. Below 2°C
4. Low demand
5. Fragmented world
6. NDCs*
7. Current polices

* Nationally Determined Contributions outlining a country's plan to reduce greenhouse gas emissions.

To help explain scenario choices, the four quadrant diagram based on the NGFS Climate Scenarios shows four high-level groups of scenarios based on higher and lower-risk outcomes dependent on climate policy and ambition.

There are multiple scenarios within each quadrant; for illustrative purposes, we are showing only the seven current NGFS pathways that fit within these four groups.

This is not exhaustive and other scenarios exist and are used.

The impacts in the scenarios are influenced by both the level of emissions and the choice of pathway. There is of course a wide range of possible outcomes.

The orderly and disorderly quadrants currently have actions that reduce physical risk by limiting carbon emissions and the increase in surface temperature. The levels of transition risk vary depending on timing of action and socio-economic context of global cooperation and technological growth.

We consider the orderly quadrant as these scenarios are most conducive to achieving the transition, whilst disorderly narratives are also considered given the limited pace of transition witnessed to date.

Our analysis shows that there tends to be higher transition risk in the latest Orderly and Divergent scenarios compared to previous iterations, with the increase varying by scenario and sector. This increased transition risk arises because the world did not reduce emissions in line with previous pathways before 2024 and the scenarios in this report require a more rapid decarbonisation to achieve the same aggregate net emissions by 2100.

The hothouse quadrant does not have material actions to limit emissions but we would expect to see higher increases in surface temperatures and the impacts of physical risk.

We consider the impacts of increasing events e.g. floods on mortgage and household insurance books driven by chronic (e.g. rising sea levels) and acute (e.g. storm damage) hazards. Although we expect an adverse overall economic outcome, we consider quantification of the economic impacts of physical risk to be speculative at this stage.

The too little, too late quadrant is currently the least explored and where modelling is least advanced.

Risk management continued
Climate models and scenario analysis continued

Application of scenario analysis

Scenario analysis is by its very design subjective. We consider a wide range of scenarios and metrics to support our understanding of climate risk and to support decisions. Whilst we consider the approaches we take to be reasonable, we must recognise that there is a relatively wide margin of uncertainty in these impacts. Our model outputs are indicative rather than definitive and we must treat them with appropriate caution. While climate science itself is very well developed, determining the economic impacts of climate change is problematic and the margin of uncertainty in any translation of climate risk into economic impacts is wide. Modelling of this type therefore is only one of several components of our climate risk management process and is not acted upon in isolation.

We have identified interest in similar scenarios across multiple parts of the Group, and where appropriate and feasible have undertaken joint analysis to understand potential impacts estimated by different models that are directionally aligned. Changes in physical risk could impact residential properties across the UK, which in turn could affect several activities including our general insurance, mortgages, social housing portfolios and commercial lending to property developers, amongst others.

The following sections summarise analysis of physical and transition risk across our most material homes, Commercial Banking and investment portfolios.

Homes physical risk

It is important that we understand the potential extent of future physical risks for our UK home mortgage portfolio, our UK home insurance portfolio and the interaction between the two. A key risk to our UK home mortgage portfolio is the future availability of UK home insurance, particularly with Flood Re due to end in 2039.

The extent of future changes in weather risks is highly uncertain and is dependent on several factors including environmental conditions and the actions of policymakers.

Flood risk

For both portfolios we have looked at different climate scenarios for flood risk. The general insurance scenario analysis and mortgage scenario analysis showed that the largest increase in flood risk is seen in the hothouse scenario. Large increases in the cost of damage are seen for both inland flood and coastal flood risk. The main driver of this increase is that warmer air can hold more moisture, increasing the level of precipitation. Combined with rising sea levels, the level of flood risk increases considerably. Even in the orderly and divergent scenarios, where increases in the surface temperatures have stabilised by 2100, sea levels could continue to rise, increasing the risk from coastal flood. There is significant regional variability in flooding impacts, and it should be noted that most properties are not materially impacted by flood risk.

Flood risk is likely to lead to the most material changes in risk to residential properties within the UK in the scenarios considered. Investment in flood defences along rivers and coastal defences, along with improved urban drainage systems, could help to mitigate some of the increased risk. Extending the Flood Re scheme beyond the current end date of 2039 could potentially support the continuation of insurance provision to properties at high risk of flooding, particularly under scenarios where the increase in risk of flooding is high. Improving building standards could also increase the resilience of residential properties to heightened physical risk.

1-in-100 year flood risk (mortgages)

In support of the development of ISSB requirements to disclose 1-in-100 year flood risk metrics, we have assessed the volume and lending of our mortgage portfolio, which is summarised in the table showing that c.4.67 per cent of our properties are within 1-in-100 year flood zones.

In undertaking this analysis, and interpreting the future ISSB requirement, we have applied several design decisions and determined specific parameters or definitions where there is an area of ambiguity or lack of standard industry definition. These are summarised in the table on the right.

We welcome the development of disclosures focused on insights to flood risk and are keen to see how this evolves. The analysis is provided in readiness of the ISSB requirements; however, we are mindful that this metric in itself is not how we, or the industry currently measure flood risk. The following limitations should be considered when viewing this metric:

- Probability is considered but impact only partially considered via minimum flood depth
- Industry access to flood defence data differs across UK nations
- All property types are currently included but further segmentation or treatments should be considered, such as flats on the second floor or above, or applying appropriate vulnerability functions
- The above analysis excludes properties that could not be linked to Twinn data due to inability to match address

1-in-100 year design decisions

Design decision	Option selected	Potential alternatives	Comments
To include flood defences or not?	Defences included, since they exist and ignoring them would mis-represent current risks	No defences	Defence coverage varies by nation, with currently none in Scotland
Minimum flood depth	>25cm	>Xcm	Chosen to represent a depth required to enter property
Which flood types?	Combined (fluvial, pluvial, tidal)	Individual types of pairs	Most complete view
Time period	Present day	RCP scenario X, timepoint 2025-2100	Least subjective view
	UK		Not including LBCM, GmBH
Stock vs flow	Stock	Stock and flow metrics	

The above excludes properties where there is a nominal balance outstanding or where we only store the property's title deed.

Mortgage portfolio

	Volume	Lending
Book	1,939,671	£282.70bn
Properties within 1-in-100 year flood zone	90,559	£13.44bn
% of properties within 1-in-100 year flood zone	4.67%	4.75%
UK benchmark	5.42%	N/A

Risk management continued

Climate models and scenario analysis continued

Nevertheless, Rightmove has provided a benchmark of 5.42 per cent for the volume-based metric on the UK residential property stock. This indicates the Lloyds Banking Group UK mortgage portfolio (at 4.67 per cent) is at slightly lower than average flood risk according to this metric, which is consistent with the conclusions from benchmarking based on Twinn (a company of Royal HaskoningDHV) scores that we have published in previous reports.

The table below shows UK mortgage lending by loan-to-value (LTV) band, and geographical region for 1-in-100 year flood metric and also by Twinn present day (combined, defended) flood score > 60 identifying those properties at high/very high risk. This provides much more meaningful insight into flood risk and is based on a blended view across multiple return periods, not the 1-in-100 flood depths alone.

UK mortgage lending by LTV and geographical region

								Flood risk		Properties with 1-in-100 year	
								at high / very high risk		Flood depth >25cm	
Sep-24	<=50% £m	50%<=80% £m	80%<=100% £m	>100% £m	Total £m	Average LTV %	Total %	Lending %	Av LTV %	Lending %	Av LTV %
South East	£21,332	£30,781	£7,352	£24	£59,480	45	19	4.0	44	4.6	44
London	£27,479	£34,328	£7,471	£38	£69,316	44	22	4.2	45	5.6	44
Scotland	£8,479	£12,449	£2,838	£11	£23,778	45	8	2.4	44	2.7	44
North West	£10,942	£12,197	£2,143	£6	£25,288	41	8	4.3	42	4.7	42
South West	£10,333	£12,716	£2,616	£3	£25,667	42	8	3.0	41	3.6	41
West Midlands	£8,930	£10,022	£2,000	£3	£20,954	41	7	2.1	41	2.3	40
East of England	£10,614	£15,394	£4,048	£14	£30,070	45	10	5.4	44	5.8	44
Rest of UK	£22,670	£27,633	£5,342	£116	£55,761	42	18	2.9	42	3.3	42
Total	**£120,769**	**£155,520**	**£33,810**	**£214**	**£310,313**	**43**	**100**	**3.7**	**43**	**4.3**	**43**
Sep-23	£m	£m	£m	£m	£m	%	%	%	%	%	%
South East	£20,934	£30,892	£6,478	£27	£58,331	44	19	4.0	44	4.5	44
London	£27,195	£33,810	£6,971	£43	£68,018	44	22	4.2	44	5.4	44
Scotland	£8,517	£13,092	£2,240	£8	£23,856	45	8	2.5	44	2.8	44
North West	£10,357	£12,940	£1,948	£8	£25,254	42	8	4.4	43	4.7	43
South West	£10,091	£13,078	£2,250	£8	£25,426	42	8	3.1	41	3.6	41
West Midlands	£8,863	£10,445	£1,564	£4	£20,875	41	7	2.1	41	2.3	40
East of England	£10,628	£15,367	£3,302	£9	£29,307	44	10	5.5	43	5.9	43
Rest of UK	£21,907	£29,023	£4,823	£203	£55,956	43	18	2.9	42	3.2	43
Total	£118,492	£158,647	£29,575	£310	£307,024	43	100	3.7	43	4.3	43

The volume of properties used for this table are c.100K lower than those used in our financed emissions reporting elsewhere, primarily due to excluding deedstore accounts.

This table demonstrates that in most regions of the UK, the mean LTV for properties with high or very high flood risk is in line or marginally lower than the regional portfolio mean LTV. This is broadly also true for the population with a 1-in-100 year flood depth of at least 25cm, with the notable anomaly for Scotland. Flood risk is managed at origination with properties exposed to increased flood risk requiring a physical inspection; we do not lend on uninsurable properties.

Subsidence

General insurance scenario analysis showed in a hothouse scenario subsidence risk is expected to increase, in particular in the south-east of the UK due to hotter, drier summers leading to more ground movement in the heavy, chalky soils. Early analysis of the mortgage portfolio indicates a similar conclusion.

Coastal erosion

For the table on the right, we have liaised with both Rightmove and Twinn to further refine and benchmark our metrics for exposure to coastal erosion across our mortgage portfolio. In this example, we have held our September 2024 portfolio static and selected an end-of-century view in a hothouse scenario (RCP8.5) as a worst-case stress. The Group population involved continues to be limited to properties within 1km of the coast, and we now also quote this population as a proportion of the full UK (excluding Northern Ireland) mortgage portfolio.

The benchmarking on the right demonstrates we have a lower proportion of our portfolio within 1km of the coast than the UK (excluding Northern Ireland) average. Moreover, that sub-population still has a lower than average exposure to coastal erosion risk, which we continue to monitor. We note the latter metrics are now based on 2100 timepoint, hence slightly elevated versus last year's published metrics (based on 2095 timepoint).

The Environment Agency is updating its National Coastal Erosion Risk Map (NCERM) in phases. We are liaising with Twinn on when the results of NCERM2 can be leveraged in our physical risk data and the impacts it could have on our current estimates.

Coastal erosion – All under Shoreline Management Plan assumption

Sep-24	Properties within 1km of coast as % of whole stock		Properties with score > 0 as % of properties within 1km of coast	
Population	UK excl. NI	Lloyds Banking Group excl. NI	UK excl. NI	Lloyds Banking Group excl. NI
Volume weighted	3.76%	3.22%	1.45%	0.71%
Value weighted	N/A	2.44%	N/A	0.83%

1 Score based on RCP8.5, timepoint = 2100, SMP.

Potential impacts

From a general insurance perspective, the change in weather risks could affect the cost of damage resulting from weather events which could have a subsequent impact on:

- Underwriting risk appetite: i.e. the type and location of properties that are insured
- Product design: this may need to be considered, for example, differentiating customer excess by weather risk type, or certain risks may not be covered for a policy in a particular area
- Insurance premiums: increasing cost of damage may lead to higher premiums
- Reinsurance: the cost of reinsurance could increase, reflecting the increased cost of damage. The availability of reinsurance could also be affected by increased frequency and severity of worldwide weather risks

From a UK home mortgage perspective, we are mindful of:

- Increasing insurance premiums affecting mortgage affordability
- Being unable to lend where insurance coverage is not likely to be available for the full mortgage term
- Flood Re ceasing in 2039, which is within the term length for existing and new mortgages
- Mortgage prisoner risk if all lenders start declining the same groups of geographically concentrated properties
- Stranded assets and potential devaluation due to all of the above

Risk management continued

Climate models and scenario analysis continued

Homes transition risk

Residential real estate climate impact model

We have implemented the transition risk component of an internally developed residential real estate climate impact model. This is a portfolio stress-testing model, which quantifies the impact of physical and transition risks for our UK mortgages portfolio. We have used this to explore the potential customer affordability and property valuation impacts for a range of scenarios with differing stringency and timing of future EPC standards and levels of government support to conduct the necessary retrofitting actions. This has been used in our IFRS 9 Impairment judgements, please see pages 282 to 283 of our annual report and accounts 2024 → We are also exploring further use cases for this model including ICAAP.

Next steps

- Implement and use the physical risk component of our residential real estate climate impact model
- Further refine the transition risk component

Commercial Banking and investments physical risk

Models that seek to consider the economic impact of acute and chronic physical risks resulting from climate change continue to be a concern across the financial services industry.

There is inherent complexity and uncertainty related to the interaction of climate-related risks under potential long-term climate change scenarios. It is arguable that for various reasons the economic impact of physical risk is understated from a range of inherent industry-wide weaknesses, for example, we make no explicit allowance for disruptions to supply chains or the impacts of tipping points.

These limitations are more significant in the commercial lending and investment portfolios and since there is no historical precedent to guide us, we must speculate on the impact of physical risk on economic output. We therefore consider quantification of the economic impacts of physical risk to be speculative at this stage.

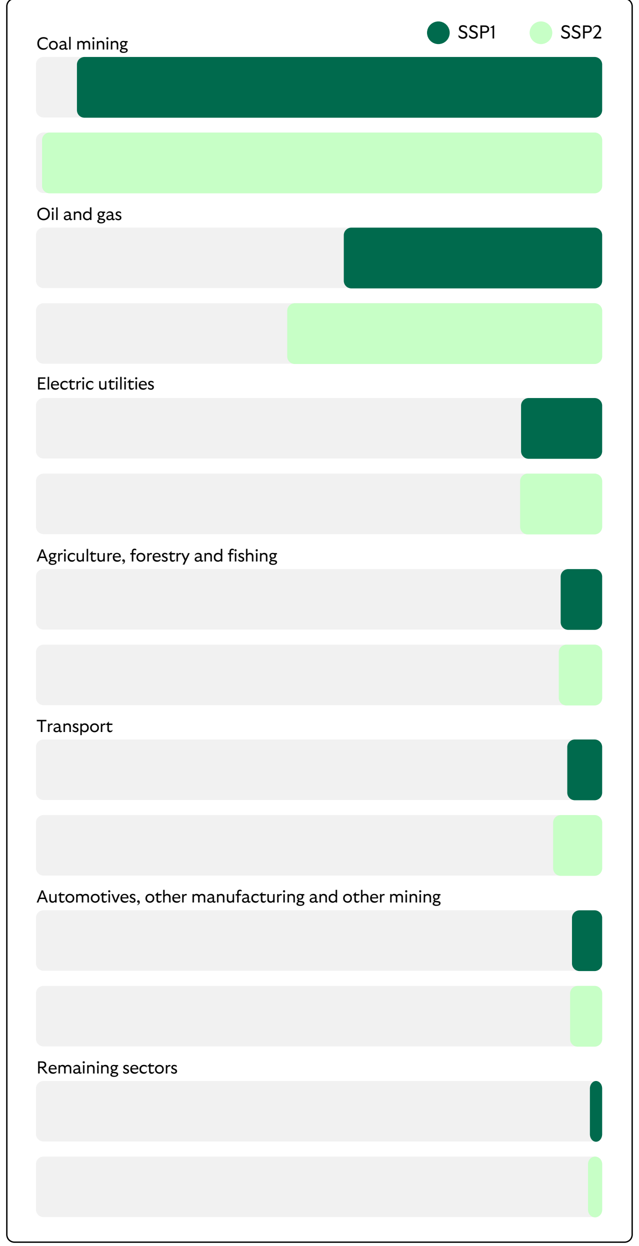
Commercial Banking and investments transition risk

The impacts in the scenarios are influenced by both the level of emissions and the choice of socio-economic pathway. The choice of socio-economic pathway alone, in the absence of climate risk, has better growth in the globally cooperative socio-economic pathway, SSP1, than continuation of current trends SSP2. This is because SSP1 is assumed to have more coordinated actions causing a higher rate of technological development.

We consider the impact of transition risk excluding physical risk and the socio-economic effects, relative to the counterfactual projections that do not recognise climate risk at all.

There are significant differences among the underlying sectors in both the SSP1 and SSP2 scenarios. This sectoral differentiation can be helpful in developing our investment strategy, especially when coupled with our view of the relative likelihoods of the scenarios and of the sectoral emissions profiles.

Impact of transition risk on equities



In the impact of transition risk chart on equities, we focus on the impact of transition risk from governments introducing a carbon tax commencing from 1 January 2024, that reduce carbon emissions to limit the increase in surface temperature to below 2°C at 2100 compared to preindustrial levels. We show broadly defined sectors for these scenarios, and limit our outlook to 2050. The chart is based on projected equity values at 2050, with currency movements hedged, compared to counterfactual projections.

The sectors that are more sensitive to the transition to a low carbon economy are coal mining and gas (including gas utilities) and oil and manufacture of petroleum products. Our modelling suggests that in these scenarios, the impacts on these sectors can be similar in the short to medium term, but that in the very long term the impact is stronger in the current trends scenario. The ordering of the sectors in the chart would also change if we changed the term of the outlook or government policy actions. More granular analysis suggests that within sectors, there is a wide range of returns by region, and that this range can depend significantly on the underlying socio-economic context. Impacts within and across sectors can also be influenced by the climate transition plans of businesses.

The margin of uncertainty in any translation of climate risk into economic impacts is wide and the following should be considered when viewing this chart:

- We model government policy to affect a transition by means of a single, simple tax on emissions of greenhouse gases, whereas actual policy would also involve regulations and incentives
- Climate scenario analysis covers carbon emissions but other aspects of sustainability, e.g. biodiversity and its interaction with climate transition, are not currently addressed
- While we consider the approaches we take to be reasonable, we must recognise that our model outputs are indicative rather than definitive and treat them with appropriate caution

Climate models and scenario analysis continued

Climate transition plans

For our Commercial Banking portfolio, alongside developing internal models, we continue to use data from McKinsey & Company's Planetrics solution to inform our views on climate risk.

A bespoke model run has been produced, which incorporates firm-level published climate transition plans in the modelling of future NPV impacts in the NGFS Phase IV scenarios. In the chart, we have selected those firms with climate transition plans, modelled with and without climate transition plan effects in the Delayed Transition NGFS scenario.

We also state the climate transition plan coverage in brackets for each sector, i.e. the proportion of firms from the wider McKinsey & Company Planetrics modelled universe in that sector that have a published climate transition plan.

There are many points to note, including:

- Climate transition plan coverage varies by sector (ranging from over 50 per cent for utilities to under 10 per cent for other construction) and some sectors have been dropped from the chart, though not our internal analysis, due to low absolute volumes of firms with published climate transition plans. We have also assessed on a sub-sector basis where needed (e.g. Passenger versus industrial transport) to identify differing trends
- The credibility of these individual climate transition plans have not been assessed as part of this analysis
- This analysis does not explore the counterfactual scenario of these firms investing significantly in transition activity but the wider global narrative is lack of transition (i.e. a hothouse scenario). Such firms would then suffer versus their competitors due to depleted capital expenditure and reduced market share from passing on increased costs to their customers
- This is a bespoke configuration of the model which we do not expect to be regularly refreshed

Nevertheless, the analysis indicates that if the published climate transition plans of the firms were implemented, there could be significant NPV benefits in many sectors under a scenario with strong decarbonisation such as the Delayed Transition scenario. Greater numbers of firms disclosing their emissions and climate transition plans in finer granularity, especially in sectors with low coverage, would help us better understand the potential benefits and opportunities which can facilitate the transition to a net zero economy. Increased policy certainty from governments and regulatory bodies would also help firms in planning and committing to climate transition plans. We also continue to develop our internal processes for assessing the climate transition plans of our clients.

Climate transition plans referred to here are taken directly from the Planetrics solution, used for modelling/scenario analysis. See **page 85** for details of our Credible Transition Plan programme, which is the internal approach engaging corporate clients on their transition plans and supporting their decarbonisation ambitions.

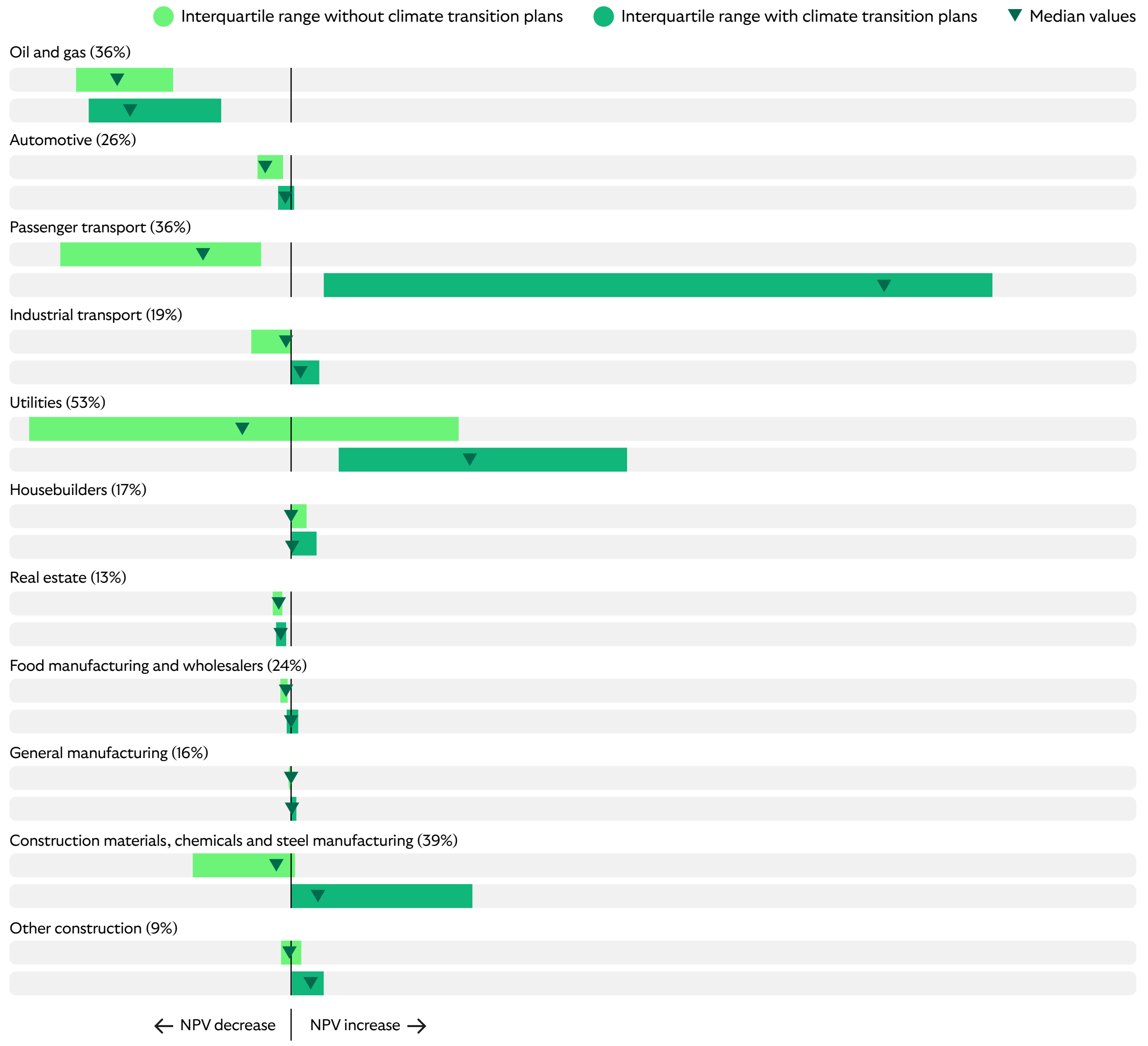
Other activity

We continue with other activities such as using a climate sectoral GVA model in Commercial Banking ECL PMA considerations (see page 283 in the annual report and accounts 2024 →), and comparing the outputs of various modelling approaches to better understand the uncertainties and weaknesses involved.

Next steps

- Analysis of the impact of climate and environmental risk on the economic and financial system is in its infancy and we will continue to monitor industry developments and assess any enhancements we can adopt in line with development of measurement technologies and analytical methodologies
- Continue collating and assessing client climate transition plans, and applying them to our in-house modelling

Delayed Transition – entities with climate transition plans



Percentages of population with climate transition plans shown in brackets

Scottish Widows risk management

Within Scottish Widows Group, we recognise climate risk as a principal risk within our Enterprise Risk Management Framework (ERMF). We recognise the cross-cutting impacts of ESG risk across other risks such as insurance underwriting, market, conduct and credit risk and are continuing to enhance our approach to consistently capture ESG considerations across our risk management framework.

To strengthen ownership of climate and ESG risks, a new ESG operating model was developed in early 2024 to ensure ongoing alignment with the Scottish Widows Executive roles and responsibilities. We are continuing to embed this model into our usual business operations, in tandem with wider enhancements to our risk management taxonomy.

Within our risk management system (risk and control self-assessment (RCSA)), as well as mapping existing or new controls to our key regulatory obligations to identify, measure, manage and report the impacts of climate change, we have grouped our key risks into broad themes, which align to the Lloyds Banking Group's definitions of 'inbound and outbound' risk impacts (for definitions of inbound and outbound risk please see page 150 of the Group's annual report and accounts 2024 →).

The materiality of these risks is assessed via continuous risk management using the same impact likelihood matrix that is used for all of our risks, and will vary over time.

Our key risks and examples of relevant controls are listed in the table:

This is a sample of the key risks faced by Scottish Widows Group and is not exhaustive. It is intended to illustrate how we have further embedded climate-related risks into our framework. It continues to be reviewed and will evolve over time.

Key risks and controls

Risk description	Risk appetite	Key controls	Time horizon
Physical and transition risk for investments (across customer and shareholder assets) (inbound) This risk reflects an aggregation of credit, market and conduct risks relevant to the investment products	We accept this risk, as we will seek to minimise physical and transition risks from climate risk in line with the Group strategy. However, the overall position is dependent on the availability of assets and economic environment, and is therefore not fully within our own control	• Due diligence around the selection and oversight of our external fund managers, including around ESG factors • Dedicated fund investment leads are responsible for all aspects of oversight, including review of climate-related risks and ESG factors and related data supplied by external fund managers • 'ESG tool' is completed as part of our credit risk assessment process • Stewardship and exclusions policies, and external sector statements are in place to help manage transition risk in our investments	Short Long
Physical risk for general insurance (inbound) This risk reflects the underwriting and insurance risks arising from climate risks	We accept this risk, as we will provide general insurance cover to properties that may be affected by the physical risks from climate risk given our strategic aim to protect customers. The level of risk is managed through our underwriting procedure	• Weather modelling team of experts analyse trends in climate and weather patterns to inform models • Sophisticated models have been developed to help inform underwriting decisions • Robust model governance process is in place around the creation and use of those models	Short Medium Long
Risk of failing to support the transition to net zero (outbound) This reflects strategic and reputational risk across our business	We accept this risk, as we wish to support the net zero transition in line with external expectations, Group strategy and economic environment. However, it is appreciated that achievement of net zero transition is reliant on many other parties and is therefore not fully within our own control	• External commitments framework in place to manage new commitments and track performance of existing commitments • Stewardship and exclusions policies, and external sector statements set out how we seek to influence the wider economy to move towards net zero • Emissions forecasting model in place to help track the pathways of our investments to 2030 and 2050 targets under different transition and temperature scenarios	Short Long
'Greenwashing' risk across our enterprise (outbound) This reflects reputational, conduct and regulatory risk across our enterprise	We seek to avoid this risk. We have control over our external disclosures, marketing material and customer communications, so ensure that literature, activities and products do not mislead customers as to our green credentials	• External commitments framework in place to govern new commitments • Green Claims Framework to assess and validate "green claims" in accordance with FCA anti-greenwashing rule and guidance. • Training and "clause bank" in place to help create correct, clear and complete communications that are capable of being substantiated	Short Medium Long
Disclosure and modelling risk (outbound)	We accept this risk, as we rely on models to make informed business decisions. We take a risk-based approach to reduce the risk	• Annual disclosure process for ensuring production and governance of external reporting • Processes in place for ensuring data quality, coverage, and methodology for climate-related data/metrics • Model governance process in place for validation of models, including climate-related models	Short Medium

Risk management continued

Scottish Widows risk management continued

Assessment of risks

Our risk management framework aims to help us identify, measure, monitor, manage and report the financial risks related to climate change with regular reporting to the Board to enable timely decisions to be taken. Short-term risks and risks that have already crystallised are logged then monitored and assessed. This includes consideration of all risk drivers, including those relating to climate change, to ensure both inherent and residual risk ratings effectively reflect the exposure. As part of Lloyds Banking Group, Scottish Widows Group approaches climate risk management in a consistent way to our overall parent Group. We comply with the Lloyds Banking Group climate risk policy which is set around eight 'principles' and requirements, and we have developed our own insurance climate risk procedures to reflect insurance-specific practices and processes.

ESG tool

We continue to apply the Group's internal ESG tool at loan origination and as part of the annual review process. The tool, which focuses on both the inbound and outbound risks, assesses exposure and management of climate and ESG risk issues. These are overlaid with a transition risk assessment of the sector which has been analytically derived using emissions data, to produce scores reflective of the client's climate impacts and exposure to ESG risks. The scores are included and discussed in specific ESG assessment and commentary in all our credit risk assessments. The ESG tool is owned within Group. Further details can be found in the ESG credit risk scoring and risk assessment section of this report on **page 127**.

Embedding climate risk within our risk management framework

Existing policy framework

As a cross-cutting risk, climate change impacts will emerge through our existing risks. We have a Lloyds Banking Group Climate Risk Policy and Insurance Climate Risk Procedure which capture the overarching requirements for risk management, governance, scenario analysis and disclosure of climate risks. In addition to this overarching policy/procedure, internal policies where climate risk impacts might be expected have been reviewed and where relevant updated, along with any related procedures and underlying processes. These include:

Insurance: investment exclusions policy

Introduced in 2020, this defines the rules for exclusions that will be applied to our investments. This policy, which works in tandem with the investment stewardship policy, defines our approach to public equities, bonds and other corporate debt and is supplemented by the Group external sector statements which apply to the direct lending part of shareholder investments. We have key controls around communicating this policy to our investment managers.

Insurance: investment stewardship policy

Also introduced in 2020, this defines the stewardship and engagement activity which we undertake in support of our Responsible Investment Framework and our commitments to:

- Be responsible stewards of the assets we oversee
- Influence investee companies to engender positive change
- Exercise strong governance over the asset managers we partner with

It aims to protect and maximise the value of investments in the long term, in line with our beneficiaries' interests, through encouraging investee companies to plan and evolve their activities responsibly, to deliver value through stable and sustainable returns.

This policy was developed to meet the requirements of the FCA Policy Statement 19/13 (PS19/13) in relation to the Shareholders Rights Directive II (SRD II) (COBS 2.2B) and the FRC Stewardship Code.

Insurance: investment policy

This policy references the Responsible Investment Framework and that ESG factors should be considered as part of due diligence and assessment activity for investment strategy and transactional decisions.

Insurance: reinsurance risk policy and procedures

As part of the assessment of new reinsurance arrangements, reinsurers' exposure to climate risk should be considered in their approach to managing forward-looking climate risk.

Insurance: market risk procedure and insurance stress and scenario testing procedures

Climate stress testing is a requirement for regular medium and long-term strategic planning.

Lloyds Banking Group: insurance underwriting risk policy

This policy requires that climate change is embedded in underwriting risk management processes including:

- Incorporating the effects of climate change in the demographic risk register
- Internal model development and improvement to incorporate the impact of climate change on both a short- and long-term time horizon
- The weather modelling team conducts regular reviews of the impacts of climate change on weather risks considering the latest published research and model predictions of climate change

Lloyds Banking Group: product procedures

The product review process requires that climate risk, in particular the associated conduct risk, is specifically considered at all stages in the product lifecycle.

Lloyds Banking Group: credit risk policy and insurance credit framework policy

For our loan investment book, we adhere to the Lloyds Banking Group credit risk policy which was updated in 2021 to incorporate reference to ESG risk, and the insurance credit framework policy, which supplements the Lloyds Banking Group policy and sets out the Scottish Widows Group specific approach to management of credit risk. As part of our credit risk assessment, both at origination and at annual review, we include a rating based on the output of the 'ESG tool', together with an assessment of the counterparty's approach to ESG risk. Similar to our insurance investment exclusions policy, the Lloyds Banking Group external sector statements (which can be found here → under Group codes and policies) apply to our Loan Investments book and set out our approach to key sectors where we have a direct lending relationship.

Risk appetite

The risk appetite framework has been extended to include specific climate risk appetite strategy, preferences and metrics. The Board approves a climate risk strategy statement expressing our preference to avoid risks arising from climate risk.

Climate risk is the risk that the Group experiences losses and/or reputational damage, as a result of climate change, either directly or through its customers. These may be realised from physical weather events, the adaptation required to transition to a low carbon economy, or as a consequence of the responses to managing these changes. We have no appetite to fail to proactively manage the risks and opportunities for our business as a result of climate risk. We will take action to support the Group and our customers' transition to net zero, and maintain our resilience against the risks relating to climate change.

We have aligned our risk preferences to our key risks, set out in the table on **page 136**. We have risk appetite metrics to help us monitor and report on key climate-related exposures, progress towards meeting key net zero commitments (for investments), and to monitor the operation of key controls such as adherence to our external commitments framework.

Our approach to general insurance

Insurance underwriting risk

Given the short-term nature of home insurance policies we are able to review our view of risks regularly, and change our approach as risks develop to mitigate long-term exposure of climate risks. Our overall strategy is to continually review our acceptance criteria and pricing strategy for each risk based on both a short-term and long-term view. In-house expertise on physical risk is retained in the form of a dedicated weather modelling team. The team is comprised of specialists in hydrology, meteorology and probabilistic modelling who develop a baseline view of physical risk for the UK and conduct forward-looking climate stress testing on this.

This team has been in place since 2016 and has monitored and applied climate change science onto the view of risk used for capital, pricing, reinsurance and planning.

Financial management

An assessment of climate-related risks for general insurance liabilities is integrated into our insurance model governance process. Climate change is identified as a key topic for model review and approval within this process, and specifically, the appropriateness of the view of risk for the weather perils in the context of climate change science. This view of risk is integrated into assessments of capital requirements, reserving, reinsurance and pricing. It also feeds into the quarterly exposure management where insurance portfolio exposure arising from weather-related perils is monitored and controlled.

A third-party vendor model is used for the perils of inland flood, coastal flood and wind. The vendor model results are adjusted internally to better reflect our own exposure and experience.

Catastrophe modelling

The catastrophe weather model is a key component of the Scottish Widows Solvency II (as modified by the PRA's 2024 reforms) capital model. The results of the model by weather peril are used to inform the base rates for risk pricing. Accordingly, weather pricing models are used to inform how insurance premiums should vary across the book. The outputs are used to create a relative view of risk across the geographic domain of the book – i.e. how risk varies from location to location. The weather modelling team conducts a regular review of available research and models on climate change.

Key metrics

Many of our customers have been impacted by weather events in the last few years, specifically from events which have led to claims from inland flooding, coastal flooding and windstorm damage. Climate scientists predict that the frequency and severity of flooding could increase in coming years.

For example, sea level in the UK could rise by up to one metre by the end of the century. This size of increase would likely affect the frequency and severity of our claims experience. Being able to identify and monitor trends in the increased physical risks, through a variety of metrics, is therefore very important.

Weather pricing models are used to inform how insurance premiums should vary across the book. The outputs are used to create a relative view of risk across the geographic domain of the home insurance book. We assign properties risk bands to reflect the level of potential flood risk, with higher bands representing a higher risk of flooding. We can use this banding to manage our exposure in high-risk areas. Increasing the proportion of our portfolio in higher-risk bands could lead to significant increases in losses in the event of increasing severe events.

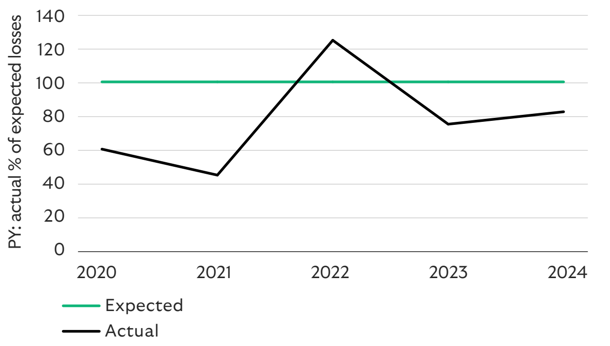
In addition, we monitor actual weather-related losses against expected weather losses. In the graph below, Severe weather losses, shows actual versus expected average annual loss on a net of reinsurance basis and covers inland flood, wind, coastal flood and freeze. Actual weather losses performed better than expected from 2020 to 2021 and from 2023 to 2024 due to relatively benign activity. However, due to the extreme cold weather in December 2022, in addition to small windstorm losses, actual weather losses for 2022 exceeded expected losses.

The expected weather losses is a long-term view, so there can be significant volatility depending on weather events.

Percentage of insured properties which are in higher risk flood bands as at:

	Dec 2024	Dec 2023	Dec 2022
Inland flood	2.7%	2.7%	2.6%
Coastal flood	0.5%	0.5%	0.5%

Severe weather losses
Actual % of expected losses



In this section

How we deliver

Our oversight, ownership and responsible conduct builds a foundation that allows us to deliver on our purpose.

Our governance structure provides clear oversight and ownership of the Group's sustainability strategy and management of risk.

How we deliver articulates the strategic importance of our sustainable business ambitions and how we manage the impacts arising from environmental and social issues.

We believe in conducting our business responsibly, always considering the impact on our stakeholders.

Delivering good outcomes for our customers is at the heart of our purpose-driven organisation.

Link to strategy

Grow Focus Change

2024 highlights

98%
of colleagues completing the Economic Crime Prevention training

90
new customer complaints improvement initiatives

Group roles, responsibilities and remuneration

Given the strategic importance of our sustainability ambitions in managing the impacts arising from climate change and broader societal issues, the Group's governance structure provides clear oversight and ownership of the Group's sustainability strategy and management of risks and opportunities.

Sustainability-related responsibilities at Board level are overseen by the Responsible Business Committee, with specific reporting and risk management responsibility in relation to sustainability-related matters (including climate) shared with the Audit Committee and Board Risk Committee. This ensures appropriate Board-level coordination and cooperation on these matters.

Climate risks and opportunities are identified, assessed and managed by business unit-level teams governed via functional and divisional-level steering groups and committees. For further details on the control environment operating at a business unit level for climate-related controls, see **page 142**.

1 The Chair of the Scottish Widows Board sits on the Group Board. The Scottish Widows CEO sits on the GEC and will update the GEC on relevant insurance matters which can include papers for GEC approval.
2 The Chair of the RBC, Amanda Mackenzie, is a non-executive director on the Board, and is a member of the Remuneration Committee and the Nomination and Governance Committee, as of 1 January 2024, the Audit Committee and ensures that sustainability is discussed and considered by the Board. Amanda has extensive experience in ESG matters, including helping launch the United Nations Sustainable Development Goals.
3 The GNZC provides oversight from an environmental perspective only.

Our sustainability governance structure

Board level

Lloyds Banking Group plc Board[1]

Responsible Business Committee (RBC)[2]	Audit Committee (AC)	Board Risk Committee (BRC)

↑

Executive level

Group Executive Committee (GEC)[1]	Group Net Zero Committee (GNZC)[3]	Group Risk Committee

↑

Division and function/platform level

Divisional and functional-level climate and sustainability steering groups or committees

Full details on how sustainability is incorporated into our Group governance structure along with key topics of discussion at the Board committee level are detailed on pages 88 to 89 within the annual report and accounts 2024 →.

Entity governance

Beyond the Group level, governance structures are in place to support consideration of sustainability risks and opportunities at Board level across the Group's key legal entities.

The Group's governance structure focuses on ensuring independent decision making by the Ring-Fenced Bank Boards; the structure and responsibilities for the Ring-Fenced Banks are outlined on page 83 of the annual report and accounts 2024 →.

In Lloyds Bank Corporate Markets (LBCM), regular updates on climate risks are provided to its Board and Board Risk Committee. Details of the governance structure within Scottish Widows is detailed in the section on the **next page**.

Additional details on respective governance for the Group's other entities can be found in their respective disclosures.

Divisional governance

Group-level governance of sustainability risk is supported by existing governance structures across our divisions that are used to oversee decisions related to sustainability risk that impact the divisions, ensuring sustainability risks are managed as part of regular activity.

Divisional governance structures include the Consumer Lending Executive Committee, Commercial Banking Committee and various executive bodies within Insurance, Pensions and Investments.

Our Group Sustainable Business team is supported by divisional sustainability teams, ensuring a coordinated approach to oversight, delivery and reporting of the Group's sustainability strategy.

Remuneration and balanced scorecard

Our annual balanced scorecard provides transparency on how our performance aligns with 2024 executive director GPS outcomes. It also informs the wider 2024 GPS pool for all colleagues and 2025 Long-Term Incentive Plan (LTIP) budget for our Group Executive Committee members. In 2024, the weighting related to sustainability performance measures in the Group balanced scorecard was 20 per cent, continuing our focus on climate change ambitions and our ongoing commitment to improving diversity and engagement within the Group.

Sustainability measures included within our scorecard are as follows:
- Increasing our gender and ethnic representation in senior roles (7.5 per cent)
- Reducing our operational carbon emissions (5 per cent)
- Culture and colleague engagement (7.5 per cent)

Progress against our targets in 2024 is set out on pages 32, 54 to 58 and 119 of the annual report and accounts 2024 →

In 2024, we returned to a performance-based LTIP ensuring stronger alignment with our strategic objectives by supporting a high-performance culture and providing the opportunity to directly link long-term variable reward outcomes to the delivery of our strategy and the realisation of its benefits for shareholders. 15 per cent weight is attributed to environmental measures, reflecting that the transition to a low carbon economy is at the core of our strategy and aligns with our purpose of Helping Britain Prosper. The Committee will assess performance of the Group's sustainable finance and investment commitments over the performance period, 2027 progress towards its 2030 NZBA sector targets and delivery against Scottish Widows' net zero ambition.

Full details on the 2025 LTIP award can be found on page 132 of the annual report and accounts 2024 →

Scottish Widows governance

Governance for climate-related risks has been embedded into our existing governance structure, which is supported by the governance within the wider Lloyds Banking Group's sustainability strategy. Key boards and committees meet regularly through the calendar year.

The Insurance Board is the ultimate authorisation body for matters which concern the operation of Scottish Widows' business and is responsible for establishing and promoting a culture of (among other things) an appreciation of climate and sustainability matters.

During 2024, Insurance, Pensions and Investments (IP&I) made changes to how it manages its responsibilities for sustainability matters. The responsibilities of the IP&I Responsible Business Committee (RBC) were mapped to successor bodies within IP&I's governance structure, in order to enable sustainability matters to be appropriately governed as part of business-as-usual considerations. With its responsibilities mapped to relevant successor bodies the IP&I RBC was disbanded in 2024. Sustainability governance was mapped to existing Executive Committees, such as the IP&I Risk Committee, which monitors end-to-end risk profile for the insurance group and the IP&I Investment Committee, which monitors performance of investment strategy (including sustainability). Exceptional matters, such as material external investment commitments under the external commitments framework, are approved by the IP&I Executive Committee. Individual members of senior management also accepted responsibility and accountability for sustainability risks and opportunities in their portfolios, supported by the insurance group's support functions in risk and finance.

Insurance Board

The Insurance Board has an overall responsibility to promote and assess the long-term sustainable success, safety and soundness of the IP&I business, generating value for Lloyds Banking Group as ultimate shareholder, and to contribute to the wider society and engage actively in the affairs of the IP&I business.

This includes a requirement to keep abreast of material changes in IP&I's business and the external environment, which includes climate-related issues, as well as acting in a timely manner to protect the long-term interests of the IP&I business. These responsibilities and certain matters reserved for the approval of the Insurance Board are set out in the 'schedule of matters reserved', which is reviewed annually, and informs matters for consideration and discussion at Insurance Board meetings. The Insurance Board met no fewer than eight times in 2024.

The Insurance Board also undertakes an annual review of each of its committees' purpose and responsibilities (terms of reference) and is kept informed at each Board meeting of key matters, discussed via individual committee Chair Reports.

The Insurance Board also ensures that its composition is sufficient in aggregate knowledge, skills, experience and background to effectively debate and take decisions informed by an awareness and understanding of climate-related threats and opportunities. Between them, the Insurance Board and IP&I management maintain regular exchanges and dialogues with peers, policymakers and other stakeholders to stay informed about the latest climate-relevant risks and regulatory requirements.

To support the board, management assesses the materiality of climate-related risks and opportunities for the IP&I business on an ongoing basis and takes actions that are proportionate to the materiality of climate to the IP&I business.

Insurance Board key decisions

The board is engaged (either directly or via its committees) on a regular basis on sustainability matters, receiving periodic briefings covering topical and horizon issues in relation to sustainability and other matters. Key decisions by the board, its committees and management in 2024 included:

Strategy

- Climate and sustainability matters within IP&I business planning
- The Insurance Board has focused on the role of Scottish Widows as an enabler of financial wellness for UK customers within the social pillar of sustainability

Key decisions

- Approved Scottish Widows responsible investment and stewardship report 2023
- Approved various thought leadership reports for publication: retirement report; women and retirement report; decumulation report; and (in 2023) green pensions report
- Approved Scottish Widows entity and product-level TCFD reports 2023 and input into Lloyds Banking Group sustainability report 2023

Oversight

- Regular climate risk reporting
- Target operating model, including the integration of sustainability matters into business-as-usual governance
- How risks should be reflected in our risk management framework
- Knowledge sessions on legal and regulatory risks, including ESG risks

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Training delivered

Skills and training

Board training
We continue to educate our Group Board members on sustainability matters. A specific training session was delivered to the Group Board on double materiality assessment, how it will support the Group's understanding and prioritisation of sustainability issues and influence strategic decision making and assist us in fulfilling our future reporting disclosure requirements.

Colleague training
Our colleagues are vital to the Group in delivering on our sustainability ambitions and managing our risks and opportunities. During 2024, in order to upskill our colleagues we have delivered training across a number of areas, with a few examples called out below:

1. Nature
We have developed training materials for all colleagues covering what nature is, the interconnectedness between nature and climate, why nature is important to business, impacts and dependencies of different sectors, the role nature plays in the transition to a low carbon economy and the Group's nature approach. In addition, training has been delivered to specialist teams within Risk and Commercial Banking covering topics such as policy and regulation, nature markets, nature-related risks, nature-positive finance and TNFD.

2. Modern slavery and human trafficking
We launched modern slavery and human trafficking training and made it available to all colleagues to help raise awareness and to help them identify how the issue impacts the Group and their role. The training provides an insight into our processes and policies to help mitigate this risk across our business and supply chain whilst highlighting the work we do to support survivors of modern slavery.

3. Commercial Banking
Our ESG training seeks to empower colleagues to take a proactive approach in maximising value and impact for clients, as well as driving increased internal collaboration and sector-specific knowledge sharing. Since 2018, over 4,800 instances of ESG training have been undertaken by colleagues. We have worked with a variety of the leading universities and institutions in sustainability such as the Cambridge Institute for Sustainability Leadership (CISL), the UK Green Building Council (UKGBC), Edinburgh Innovations and Exeter University, to provide foundational ESG courses that focus on sustainability, up to and including the design and development of advanced and sector-specific specialist training, such as our collaboration with the University of Edinburgh to develop a 22-week bespoke programme to drive our focus on transition technologies.

4. Further sustainability training launched this year to specific colleagues included:
- An introduction to our Sustainability Financing Framework for relationship managers
- ESG credit risk and the Equator Principles
- 1,500 colleagues have been trained on the Technology Sustainability Framework which helps our engineers to identify opportunities to reduce energy consumption and carbon emissions from technology use, reduce technology waste and water consumption. This helps to inform decision making when implementing new technology services

Three lines of defence[1]

Three lines of defence

The Group's structure provides clear oversight and ownership of our sustainability strategy and management of sustainability risk across the three lines of defence, with dedicated teams in place focused on these areas.

1st line	The Group Sustainable Business team is responsible for overseeing the Group's strategic approach to responding to global and local issues on sustainability. At a divisional and/or sector level, sustainability teams within the business, support the delivery of our sustainability strategy in alignment with the Group strategy and our sustainability pillars. These teams combined are responsible for developing the Group's response to sustainability risks and opportunities, including engaging with business areas to align sustainability to the business area strategies, ambitions and facilitate the development of sustainable product-level offerings. From a climate perspective this includes activities supporting business areas in the calculation and forecasting of emissions, sector-level target setting and delivery against our transition plan to support the Group's sustainability targets. Group Finance is responsible for incorporating sustainability into the Group's performance reporting, financial planning and external reporting.
2nd line	Risk is responsible for overseeing the risks relating to sustainability topics. This includes formal responsibilities in relation to oversight of the risks arising from climate change to support meeting regulatory expectations. Teams across Risk are responsible for oversight of the Group's sustainability strategy, as well as incorporating consideration of sustainability-related topics into the appropriate risk management processes. Activity in relation to climate risk is most advanced, including development of methodologies to quantify climate risk, oversight of net zero strategies and setting the Group's climate risk appetite.
3rd line	Group Audit has a team focusing on ESG risks. This team, supported by other subject matter experts, provides independent assurance to the Audit Committee and the Board. Group Audit also attends key sustainability and climate risk governance committees and forums.

1 The three lines of defence responsibilities may operate differently across the Group's legal entities.

Conducting business responsibly

We believe that conducting our business responsibly means operating sustainably and inclusively; meeting our legal requirements; and always considering our impact on our customers, colleagues, society and the environment.

Product development

Our Group customer and product policies set out how important it is to ensure that we are delivering good customer outcomes.

- Everyone in the Group must focus on the outcomes we want to deliver for customers and to ensure that evidence and monitoring is in place to assess whether we have provided good outcomes, avoided foreseeable harms and supported customers in pursuing their financial objectives
- We must act in good faith towards customers which is characterised by honesty, fair and open dealing and acting consistently with the reasonable expectations of customers
- We must ensure that our products offer fair value to customers

Taking this approach enables the Group to grow with purpose by continuously improving outcomes for our customers. We conduct regular monitoring to assess whether or not we meet our high customer service standards and colleagues' remuneration is linked to outcomes.

Upholding competition law

We believe that consumers benefit from healthy competition between providers of financial services, and we compete vigorously and fairly, striving to offer excellent service and competitive products which meet our customers' needs and provide good outcomes.

The Group does not tolerate anti-competitive practices noting that these could lead to interventions by competition authorities; or breaches of competition law, which may harm customers or have a significant financial or reputational impact on the Group. We recognise that competition law is not intended to stifle legitimate business while also recognising that we must deal in good faith with all our trading partners, including our suppliers and competitors.

Avoiding market abuse

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

Product governance

A comprehensive Group product policy, procedures and framework is in place to define the guardrails for the business to meet the regulatory requirements and how we want to operate as a Group. The policy outlines core concepts which are considered throughout the product lifecycle including identifying the need the product is required to meet for customers in the target market and having controls in place to prevent the product from being offered to customers for whom the product is not appropriate. Colleagues are also supported to use their judgement to apply the policy requirements in a way which is proportionate and appropriate to the product and customer needs and the foreseeable harms. Through robust risk management, regular product reviews and monitoring, we adopt a continuous process to ensure that our products provide good customer outcomes.

Development and continued oversight of the implementation of the customer vulnerability strategy remain through operating at a senior level to prioritise change, drive implementation and ensure consistency across the Group. More on our approach to supporting customers is available on **pages 25 to 32**.

Scottish Widows approach to incorporating social factors

Where we believe sustainability factors pose downside risks to investments, offer potential upside opportunities and support a better world to retire into, we will continue to incorporate them into our decision making. Social factors, such as labour rights, are central to the societal infrastructure which the global economy relies on for delivering sustainable, long-term growth. As long-term investors and universal owners, we are increasingly aware of how systemic ESG risks may impact our investment portfolio and are working to build our understanding of the different risks.

Our work on social factors is underpinned by research including recommendations made by the Taskforce on Social Factors and implemented through exclusions, integration and stewardship. Stewarding assets on social issues is of crucial importance to influence positive change in the economy and ultimately for our pension customers. It contributes to the wider Lloyds Banking Group purpose of Helping Britain Prosper.

Currently we are focusing on three overarching social themes:

- Human rights
- Human capital management
- Diversity, equity and inclusion

As part of our focus on human rights, gender equality is a key consideration for Scottish Widows. As a pension provider we have delved into how deep-rooted, structural inequalities cause women to earn less, work less and save less for retirement when they become parents.

Our role as an investor enables us to tackle some of the structural inequalities and raise awareness of the issue. Our approach to gender and diversity is well established and aims to effect real-world change. We engage with boards of companies to encourage gender representation and payment of the living wage as we know low pay disproportionately affects women. As asset owners, we have an important role to play in helping to address wealth inequality by helping people, no matter their income level, grow their wealth through a pension that is invested in capital markets. It's core to our purpose of Helping Britain Prosper.

For more information, please see Scottish Widows Our approach to social factors →

Consumer Duty

The FCA's Consumer Duty Regulations set higher and clearer standards of consumer protection across financial services, requiring firms to put their customers' needs first.

As an organisation, we are already focused on the delivery of good outcomes for our customers – Consumer Duty is the next step in the evolution of how we do this and will drive broader cultural change. There will be greater focus on the outcomes customers receive – whether products and services meet customer needs and offer fair value, if customers understand the information provided to them and if customers are given the support required to meet their financial objectives.

We have robust governance in place, under delegated authority from the Board, to provide oversight of the ongoing consideration of Consumer Duty across the Group, with the Board Risk Committee overseeing related risks. The Board was engaged on the Group's implementation of Consumer Duty, including agreeing with the steps the Group has taken to meet the requirements of the regulation. The Group also appointed two Consumer Duty Champions who will help ensure Consumer Duty is considered in senior leadership strategic discussions. In addition, the Group continues to work closely with the FCA on the ongoing embedding of the duty and sharing of best practice across the industry.

Ethical use of Artificial Intelligence

The Group recognises Artificial Intelligence (AI) as a powerful tool for unlocking value and operational efficiency for our customers and colleagues, whilst remaining ethical and sustainable in our practices.

In January 2024, the Group upgraded the Data and AI Ethics (DAIE) Council to the status of 'Committee' – marking a significant milestone in the ethical deployment of AI technology for the Group. Over the past year we have used AI-powered solutions to support us in a range of areas including:

- Understanding customer complaints and behaviour
- Exploring insights from unstructured data sets
- Improving the quality of our learning and development offerings
- Strengthening our economic crime prevention controls

Through AI tools we can begin to assess the sustainability and ethical impacts of our products, giving us new tools to continue to grow, focus and change as an organisation. We continue to emphasise ethical use of AI in customer servicing – continuously prioritising transparency, fairness and data privacy.

Improving the customer experience

By leveraging AI for personalised financial services, the Bank aims to improve customer access and engagement across the board – including empowering customers in underserved communities. Using Large Language Models (LLMs), a type of AI that uses deep learning techniques to learn and understand large data sets, we have:

- Produced a customer feedback tool that allows customers to provide feedback on the usefulness of the support they receive from us, so we can continue to improve our support mechanisms
- Implemented a chat summariser tool that supports our colleagues to respond to customer queries quickly and accurately
- Invested in Aveni.ai to support in the development of secure AI tools that are focused on improving the quality of service and detecting customer vulnerabilities during calls

Managing the sustainability impacts of AI use

The Group recognises the potential of AI-powered banking to create both inclusive and disruptive sustainability impacts. In 2024, the Group proactively invested in internal upskilling of colleagues and senior leaders on generative AI technology and its ethical implications, covering risks outlined in the Group AI Assurance Framework and ensuring the consideration of AI impacts are embedded into our operations.

We continue to develop our capability to identify AI model impacts such as environmental impacts on our broader net zero targets and performing the TNFD LEAP assessment of our data centres through diagnostic tools and methodologies. The Group's AI Ethics team aims to align our AI initiatives and sustainability ambitions, supporting both technological advancement and environmental responsibility. The Bank also integrates sustainability into its digital transformation strategy by monitoring the efficiency of upstream data centres and use of renewable energy sources in those locations.

Customer complaints

Preventing complaints

In 2024, the Group demonstrated its commitment to enhancing customer experience through a robust framework designed to address and mitigate the root causes of complaints. Over the year, we implemented 90 new improvement initiatives, positively impacting 14,166 customers.

In 2024, our improvements resulted in reductions in customer complaints across a range of areas:

28% ↓
'Wait times'

11% ↓
'Took too long'

9% ↓
'Payment issues'

These improvements have enabled us to manage increased business growth and demand. Despite an uptick in fraud claims due to increased fraudster activity, the rise in complaints was proportionally lower than the increase in fraud incidents, supported by external factors such as Payments Services Regulations and heightened activity from claims management companies targeting lending.

The Group's complaints per thousand for savings and personal current accounts has improved year-on-year due to associated journey improvement actions informed by strong root cause analysis. The business continues to focus on improvements that will enhance service accuracy and speed whilst advancing digitisation.

Responding to complaints

As a minimum standard we aim to meet the FCA's Dispute Resolution (DISP) rules and respond to non-payment complaints in eight weeks and payment complaints in 15 days.

In 2024, the Group complaint operating model changed allowing our IP&I, Business and Commercial Banking and Consumer business units to have ownership for the end-to-end customer journey.

We continue to have a collaborative approach to continue our focus on improving the complaint journey for our customers by investing in our people, improving our current technology and investing in new technologies.

Project Excellence - 2024 WINNER
Artificial Intelligence Project of the Year
UK IT INDUSTRY AWARDS
Hosted by: computing

We launched a strategic letter writing tool to make it easier for our colleagues to write clear letters, faster. Our consumer complaints transformation team is proud to have won the UK IT Industry Artificial Intelligence Project of Year.

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Our suppliers

Responsible and sustainable sourcing

We are committed to working collaboratively with our suppliers on developing our approach to responsible and sustainable sourcing; this is integral to the way we do business. Colleagues engaged in sourcing follow a defined business sourcing process as required by our internal sourcing and supply chain management policy and related procedures. The business sourcing process is a five-step process that facilitates the identification, assessment and mitigation of applicable risks as we select and contract with suppliers. We have a defined supply chain management framework including associated tools and learning for supplier accountable persons and supplier managers, which enables the ongoing risk-based management of the supplier relationship in line with the Group's risk appetite.

The risks associated with any arrangements with internal and external suppliers must be managed in compliance with the Group's risk policy framework. Where external supplier relationships exist that fall outside the scope of our business sourcing and supplier management frameworks, business units and Group functions remain accountable for ensuring these engagements comply with all relevant Group policies, including the Code of Supplier Responsibility.

The Group is a signatory to the Prompt Payment Code and in 2024 several of our legal entities (including Lloyds Bank General Insurance Limited, Bank of Scotland PLC, MBNA Limited, Lex Autolease Limited, and Black Horse Limited) received the Good Business Pays Fast Payer Award which recognises serial fast payers. This places us in the top 5 per cent of UK large corporate legal entities achieving the Good Business Pays threshold of paying suppliers in less than 30 days and paying over 95 per cent of invoices on time over a 12-month rolling period.

Code of Supplier Responsibility

Our Code of Supplier Responsibility (the Code) sets out the key social, ethical and environmental values and behaviours that we want our suppliers to abide by. To continue to be purpose-driven, it is crucial that we operate in an ethical, sustainable, inclusive and accessible manner, including the way in which we source goods and services from our suppliers.

We expect suppliers to meet or exceed the provisions of our Code, which we share through the supplier contract in our business sourcing process. The Code is reviewed at least annually and updated to ensure its ongoing appropriateness, relevance and applicability for our suppliers. For further information on the Code refer to the full policy here →

Supplier due diligence

In assessing and managing risk, it is important that we have the right framework to operate responsibly and safely. Before selecting any supplier, we follow a due diligence process which evaluates them against key criteria across applicable risk domains.

Managed suppliers and FSQS

Lloyds Banking Group subscribes to the Financial Services Qualification System (FSQS), a third-party managed supplier qualification system for the financial sector that is currently used by c.70 financial institutions. This ensures we adopt a standardised approach to compliance and assurance, an integral part of our supply chain management activity for new and existing suppliers.

When completing FSQS we require our suppliers to confirm they have read, understood and complied with the Code and provide us with evidence to demonstrate their approach in the design, deployment and control of their policies and procedures.

Supplier assurance

The Group sourcing supplier assurance team conducts an annual programme of supplier reviews. These reviews target suppliers providing the goods and services with highest risk exposure to the Group, including for resilience, cyber, data privacy and customer risk.

ESG risk assessment

We are using EcoVadis' predictive sustainability analysis to help further understand our ESG risks across our core supplier base. This covers the key themes of environment, labour and human rights, ethics and sustainable procurement. We also ask our key suppliers to undertake an EcoVadis assessment as part of the Emerald Standard requirements on **page 75**.

Supporting supplier diversity

Our supplier diversity activity is geared towards ensuring that our supply chain aligns to our goal to represent the society we serve. The intent is to provide insights into the diversity of our existing supplier base and proactively ensure equal opportunity is provided to diverse suppliers.

Our efforts to achieve this to date have involved the establishment of partnerships with key supplier diversity advocacy organisations, proactive identification of diverse-owned businesses with a view to introducing them into our supply chain, and the creation of a database which allows us to better monitor and track our spend with diverse-owned businesses.

In 2024, we focused our efforts on the engagement of relevant sourcing teams and business stakeholders with the aim of identifying opportunities, for example, in recruitment, IT services and facilities management. We recognise that we're early on our supplier diversity journey and will continue to monitor these opportunities.

For further information on the Group's approach with suppliers refer to **page 73**.

Economic crime prevention

Every day, economic crime threatens our customers and society. Economic crime is not victimless, often resulting in irreversible impacts transcending financial loss for victims, their families and communities.

We recognise the important role the Group plays in the detection and prevention of economic crime to protect our customers, communities and the integrity of the UK economy. We are committed to preventing the products and services we provide from being used to facilitate and commit crime, and we continue to invest and enhance our approach to keep pace with this evolving threat.

In 2024, economic crime has been elevated to a principal risk in the Group's risk taxonomy to reflect its significance and importance to the Group. We conduct our activities with integrity, respecting our regulatory, ethical and social responsibilities to protect our customers. By adopting a risk-based approach we focus on those customers, products, channels and jurisdictions that carry a higher risk of economic crime. For further information refer to the risk management section on page 181 in the annual report and accounts 2024 →

Protecting our customers, communities and the integrity of the UK economy from the devastating impacts of economic crime is a top priority at Lloyds Banking Group. We are committed to remain an industry leader in efforts to make the UK a hostile place for economic crime.

Policy & Control Framework

The Group's approach to managing economic crime risk is founded upon a holistic Economic Crime Prevention (ECP) policy, which aims to ensure that risks are identified, monitored and mitigated on an active and ongoing basis. Our ECP policy sets mandatory requirements to which the entire Group must comply across the following key risk areas:

- Anti-Bribery and Corruption (ABC)
- Anti-Money Laundering (including Facilitation of tax evasion and Counter Terrorist Financing)
- Fraud
- Sanctions

Our mandatory requirements go beyond the minimum legal requirements and support best practice.

The Group's compliance with the ECP policy is continuously monitored from multiple perspectives, including oversight and assurance; the provision of management information; audit; and oversight by senior governance committees.

We apply a range of automated tools and machine-aided techniques to monitor payments and transactions, and where necessary we will stop payments, close accounts and terminate relationships where activity is suspicious or cannot be appropriately explained. Potential relationships will be declined, and existing relationships terminated (where lawful to do so), where the level of economic crime risk is outside of our risk appetite.

Anti-bribery and corruption

As a Group, we will not tolerate acts of bribery or corruption committed by any of our employees, including the Board of Directors, and any third parties who act on our behalf. Our ECP policy ensures that we comply with all relevant anti-bribery laws in the UK and abroad, including the UK Bribery Act 2010 and US Foreign Corrupt Practices Act.

The Group's ECP policy requires that all colleagues act with integrity and fairness, including completing appropriate due diligence when pursuing or awarding business. This specifically prohibits the offering, giving, promising or receiving of money or other inducements, or any other inappropriate practice which might be perceived to improperly influence a person's conduct in their professional or public duty.

In the most recent Transparency International (TI) Corporate Anti-Corruption Benchmark in November, the Group maintained an 'A' rating. This benchmark measures and compares the performance of corporate (Anti-Bribery & Corruption) programmes in the UK using TI's extensive anti-corruption expertise with input from experienced specialist practitioners.

Training and awareness

Our approach to training supports a culture of economic crime detection and prevention among all our colleagues, with deeper expertise in all specialist roles. We undertake annual colleague training, as well as colleague awareness activities so everyone can understand the role that they play in tackling economic crime. We also undertake customer awareness to help them protect themselves from financial crime.

The Group's comprehensive economic crime prevention training programme is delivered and monitored via our Group-wide learning management system. Training provides colleagues with the knowledge they need to protect our customers, the Group, the economy and themselves from the harm caused by criminals and terrorists. It is mandatory for all colleagues to undertake economic crime prevention training.

In 2024, 98 per cent of colleagues across the Bank completed their annual refresher economic crime prevention training, compared to 99 per cent in 2023. Controls are in place to manage those colleagues who do not complete their training on time.

Working with partners and law enforcement

We understand we cannot tackle economic crime alone. The Group is an active participant in public and private sector initiatives to develop best practice and share intelligence for more effective detection and prevention of economic crime. We work with a wide range of partners to tackle economic crime, including UK Finance, fraud prevention services such as Cifas, law enforcement including the National Crime Agency and City of London Police (CoLP), as well as our regulators, the Treasury, Home Office and other government departments.

City of London Police

The Group has continued our six-year partnership with the CoLP to reduce economic crime, disrupt criminals, and protect our customers, businesses and communities across the UK. The strategic partnership with the CoLP is based on a plan of activity across intelligence sharing, knowledge enhancement and economic crime prevention training. Our funding has enabled the expansion of the CoLP's intelligence development capability, which is helping support tangible coordination across national, regional and local policing to address high harm fraud.

Our strong partnership with the CoLP enables us to work together on fraud prevention initiatives, including the 'Crooks on Campus' campaign with We Fight Fraud, a financial crime prevention group. Crooks on Campus is a crime documentary/drama based upon real-life stories of money laundering, fraud and financial crime.

It's targeted directly at the student audience to inform, educate, and prevent young people becoming money mules and engaged in criminal activity.

Cyber security and data privacy

Cyber security and resilience

Our customers trust us to keep their money and personal data safe. To protect both, the Group defends against cyber-attacks through sophisticated technologies and capabilities using a threat-led approach, focused on enhancing our preventative, detective and responsive controls.

For our customers this means:

- Being able to access their money and financial products safely in our apps and websites, protected by our built-in security
- Support and education to keep them safe from cyber security and fraud threats whilst promoting the importance of secure behaviours through learning campaigns and regular communication
- Keeping their personal data safe within our robust security control environment

Compliance and controls

The Group has achieved Cyber Essentials+ certification and encourages our suppliers and other third parties to also gain this government-supported certification. The Group utilises a range of best practice guidance as inputs to our Security Policy Frameworks including the National Institute of Standards and Technology (NIST) cyber security framework, ISO 27000 and PCI DSS. The Group seeks and attains appropriate information security insurance, which is reviewed on an annual basis.

In addition, we undertake horizon scanning to proactively identify updates to the framework and opportunities to respond to regulation, alongside our annual policy refresh cycle.

In 2024, the Group achieved external validation of our security controls for the period 1 July 2022 to 30 June 2023, through an assessment of their design and operational effectiveness in the form of a System and Organisation Controls (SOC2) report. This covered our client-facing businesses in Commercial Banking, Lex Autolease, Lloyds Bank Capital Markets (LBCM), Insurance, Pensions and Investments.

Governance

Cyber security maintains a high level of focus up to Board level. Regular updates to the Board and Group Risk Committees are supported by a quarterly Board sub-risk forum focused on cyber security, IT resilience and operational resilience. Cyber and data security also form part of the Group's wider operational resilience framework. Embedding a culture of resilience and security across colleagues and key third parties is a focus area for the Group. The Group maintains strong and practised incident management frameworks. We continue exercising our incident management frameworks and teams upwards to Board level, with a focus on cyber security scenarios and threats.

Colleague training

Group colleagues and contractors must complete an annual mandatory four-part security training programme, highlighting the key threats and risks that colleagues face and advising on how to mitigate them. There are also a variety of training resources available such as:

01

Phishing simulation programmes tailored to each colleague's risk profile and training colleagues to spot phishing emails with additional guidance as necessary

02

Articles and newsletters on our Safe & Secure channels

03

A monthly podcast and popular online community

Our training programme received a nomination for Outstanding Cyber Security Training/Awareness Initiative at the 2024 Cyber OSPA Awards. The team works with academic partners to continue to foster an attitude committing to acting securely rather than unthinking compliance. We are proud to have highly skilled cyber security colleagues committed to maintaining and improving our cyber capabilities.

Cyber benchmarking

The Group undertakes a regular cyber benchmarking exercise, in conjunction with an independent consultancy, to understand and improve our cyber capabilities. This exercise continues to give us feedback on how our strategic focus areas compare against peers and ensure we continue to challenge ourselves to develop.

Collaboration

The Group recognises that cyber security is a material issue impacting our entire sector and we collaborate externally, working in conjunction with both our peers and the government on initiatives such as:

- The Financial Sector Cyber Collaboration Centre
- The UK government's National Cyber Security Centre
- The Cross-Market Operational Resilience Group
- The Cyber Defence Alliance (CDA)

Data privacy

The Group takes the responsibility of managing our customers' and colleagues' data seriously and values the trust placed upon us to ensure each individual's personal data is managed lawfully, fairly and in a transparent manner. We understand how personal data enables the delivery of good outcomes and how important our safeguards are for preventing customers and colleagues from foreseeable harm. The Group demonstrates accountability to data subjects and regulatory expectations through policy, process and controls, which we continually evolve to ensure individuals' personal data rights are respected in all the moments that matter, which includes ensuring:

- Personal data is limited to what is necessary, processed lawfully, fairly and in a transparent manner
- Personal data is collected for an explicit, legitimate, adequate, and necessary purpose and not further processed in a non-compatible manner
- The risk posed to our data subjects is assessed, monitored, and escalated when necessary
- Data subjects' rights are upheld and respected
- Personal data is processed with appropriate protection against unauthorised or unlawful processing, and against accidental loss, or damage

Whistleblowing

Speak Up and whistleblowing

Speak Up is the Group's whistleblowing framework, providing a confidential or anonymous channel for colleagues, suppliers, contractors and third parties to report concerns they feel unable to report through their manager. Reports can be made in several ways, including online or via phone through an independent third party, available 24/7, in a range of languages.

All concerns are taken seriously and treated sensitively. Where investigations are required, these are carried out by highly trained and empathetic investigators. Anyone reporting a concern or involved in an investigation is supported throughout the process and we are committed to preventing and addressing any form of retaliation resulting from someone raising a Speak Up concern.

Commitment to a Speak Up culture

The Group Speak Up policy sets out our commitment to sustaining a culture where colleagues feel comfortable to Speak Up and raise their concerns. Colleagues complete mandatory annual training, which includes a separate module for line managers. The Speak Up framework is managed by Group Conduct Investigations, a team specialising in whistleblowing and complex investigations. Group Conduct Investigations promotes colleague confidence and awareness of Speak Up through ongoing communication and awareness activity. Colleagues also have access to a dedicated site providing guidance on the process and details of wellbeing support available.

We are committed to sustaining a culture where people feel safe, supported, and empowered to Speak Up if something doesn't feel right.

The Group invests heavily in the skills of its investigators, including maintaining a robust Training & Competency Framework and professional qualifications.

Each business and function within the Group has appointed a Speak Up Officer. Speak Up Officers work with Group Conduct Investigations to promote a Speak Up culture and to drive actions based on Speak Up insights. Group Conduct Investigations represents the Group at a range of industry events and forums, discussing best practices and advancing whistleblowing culture in the industry.

Speak Up governance

Sarah Legg, non-executive director and Chair of the Audit Committee, serves as the Group Whistleblowing Champion, overseeing the integrity, independence and effectiveness of the Group's Speak Up arrangements. She presents an annual whistleblowing report to the Group Board.

The Group Audit Committee also receives regular updates on the Speak Up framework, including case volumes, emerging trends, investigation outcomes and actions taken.

Partnership with Protect

We are proud to be a long-standing member of Protect, the UK whistleblowing charity. We signpost Protect's free advice-line to our colleagues, suppliers, contractors and third parties. The Group collaborates with Protect to benchmark and develop Speak Up initiatives and share ideas with other members.

As a Protect Member, the Group undertakes Protect's independent benchmark audit. Group Conduct Investigations submitted the Group's top whistleblowing initiatives from 2024 for Protect's independent review.

"Having audited Lloyd Banking Group's arrangements several times, it is our view that the Group's Speak Up arrangements are well developed and among the best that we review in detail. A key strength is an agile team that proactively seeks opportunities to improve."

Elizabeth Gardiner
Chief Executive, Protect

Group Conduct Investigations continues to work with Protect on areas of focus for Lloyds Banking Group, demonstrating our commitment to sustaining and enhancing a Speak Up culture.

2024 key statistics

Investigations in 2024
112
2023: 61

Colleagues dismissed in 2024
14
2023: 15

Confidential concerns raised in 2024
607
2023: 511

Substantiated investigations in 2024 that could result in dismissal or disciplinary action
50%
2023: 53%

Sexual harassment training

In October 2024, an amendment to the Equality Act 2010 established a legal duty for employers to take proactive measures to prevent sexual harassment in the workplace. The Group has created a new policy to address the legislation and restate our commitment to a safe, inclusive, and supportive work environment that is free from sexual harassment. Mandatory training on Sexual Harassment Prevention has now been introduced to all colleagues outlining the importance of this legislation, our values and expected behaviours alongside available reporting and support channels.

In 2025, we will be creating a more in-depth mandatory training module regarding sexual harassment for all colleagues.

Our approach to tax

Tax is one of the ways in which businesses contribute to the societies in which they operate, and we have been among the UK's highest payers of corporate taxes for several years.

In 2024, we paid £2.1 billion of cash taxes primarily on business profits, VAT on goods and services needed to run our business, bank levy and employer social security on staff wages and salaries. In addition, we collected £1.9 billion of cash taxes primarily from payroll and customer product taxes.

Appropriate, prudent and transparent tax behaviour is a key component of being a responsible business. We comply with the HMRC Code of Practice on Taxation for Banks.

We do not interpret tax laws in a way that we believe is contrary to the intention of Parliament, and we do not promote tax avoidance products to our customers.

Further information on the Group's approach to tax can be found in our tax strategy and approach to tax report 2024 →

Regulatory developments

The Group continues to monitor the evolving sustainability reporting landscape. This section details activities undertaken to date to prepare for upcoming regulatory reporting changes.

International Sustainability Standards Board (ISSB)

The Group has been following the UK Sustainability Disclosure Technical Advisory Committee assessments and recommendations during the year in respect of the two sustainability reporting standards currently released by the ISSB: General Requirements for Disclosure of Sustainability-related Financial Information (S1) and Climate-related Disclosures (S2). UK-endorsed ISSB standards are expected to be released in the first half of 2025.

We are preparing to report in accordance with these standards following the UK government's positive endorsement decision and the update to the FCA's requirements for UK-listed companies.

Corporate Sustainability Reporting Directive (CSRD)

The EU's Corporate Sustainability Reporting Directive (CSRD) mandates reporting in accordance with the European Sustainability Reporting Standards (ESRS) and the EU Taxonomy. The 12 EU Sustainability Reporting Standards have a multi-stakeholder focus, covering the full range of environmental, social and governance topics, using double materiality instead of financial materiality.

The Group is expecting to report on a legal entity basis from 2025 in respect of our in-scope entities within Germany and Luxembourg. Group level reporting as a non-EU parent company is planned for 2028.

Corporate Sustainability Due Diligence Directive (CSDDD)

The Corporate Sustainability Due Diligence Directive (CSDDD) interacts with the CSRD requiring large companies to carry out due diligence to identify and address the adverse human rights and environmental impacts of their operations, subsidiaries, and value chains. While the Group is currently not directly in scope for the CSDDD, we continue to monitor the adoption and revision of the CSDDD within the EU to assess any implication this may have on the Group and its subsidiaries.

California Assembly Bill (AB 1305)

The Group is assessed to be in scope of California Assembly Bill (AB) 1305 which requires disclosure on net zero, carbon neutrality and emission reduction claims, as well as voluntary carbon offsets purchased, used, marketed or sold in California. Our mapping against these requirements can be found in our sustainability reporting framework index 2024 → noting we are not engaged in any offset activity in California that would require disclosure.

Taskforce on Nature-related Financial Disclosures (TNFD)

The Group continues to monitor TNFD developments within the UK and Europe. Nature is being integrated into our overall environmental sustainability approach aligned to the four pillars of: Strategy, Governance, Risk Management and Metrics & Targets. The Group continues to signal progress towards TNFD recommended disclosures, highlighting our commitment to demonstrate nature progress where appropriate.

Sustainability disclosure requirements and investment labels

During 2024, Scottish Widows reviewed the FCA's ESG 4 and 5 provisions on labelling and marketing as they apply to our business. We have specifically reviewed our existing processes and controls on the anti-greenwashing rule introduced on 31 May 2024 and have introduced new processes and controls. We have prepared new consumer-facing disclosures to comply with the ESG naming and marketing rules for the one retail fund meeting the relevant criteria. While the fund's approach invests in line with sustainability themes, it does not currently have a sustainable investment objective, as specified by the FCA. Therefore, we have not applied to the FCA for a sustainability investment label. We will continue to monitor requirements as the FCA's rules evolve to include other parts of our business.

Human rights and modern slavery

The UN Guiding Principles Reporting Framework asks companies to focus their human rights reporting on their salient human rights issues. A company's salient human rights issues stand out because they are at risk of the most significant negative impact through the company's activities or business relationships.

We have identified and prioritised the inherent salient human rights risks that can be connected across the Group's operations and value chain, this includes modern slavery as a potential material human rights risk due to some of the sectors and activities which the Group funds or is involved with.

Our identified potential salient human rights risks across our value chain

Having identified the inherent salient human rights risks, we are developing a human rights framework to manage these risks embedding respect for human rights into the Group's core business where it is relevant. We are reviewing our current business processes, some of which already consider human rights risks, identifying gaps and developing robust measures to prevent, detect or mitigate these potential risks. In addition, we have developed our Human Rights Position Statement which outlines the Group's approach to managing human rights.

Alongside the salient human rights risks which have been identified, activity within the Group in relation to the protection of human rights is focused on:

- Inclusion and diversity
- Mental health and colleague wellbeing in the workplace
- Supporting customers most in need
- Tackling modern slavery through our supply chain
- Protecting customer privacy
- Data security to keep our customers' money and data safe

Colleagues
- Discrimination

Retail customers
- Discrimination
- Economic exploitation
- Inadequate standard of living

Corporate and commercial banking clients
- Modern slavery
- Migrant labour
- Inadequate standard of living

Sourcing and our supply chain
- Modern slavery
- Migrant labour and labour rights

You can read the statements here →

Investment, insurance and pensions
- Modern slavery
- Migrant labour
- Inadequate standard of living

Training our colleagues

To support the work the Group does to mitigate the risk of modern slavery across our business and supply chain, we launched Group-wide modern slavery training in 2024, available to all colleagues. The aim of this training is to raise awareness of this issue and support colleague understanding of how modern slavery impacts the Group and the role colleagues can play to mitigate the risk as well as to support survivors of modern slavery.

We launched a new mandatory training for Economic Crime Prevention in 2024. This included a module focused on the laundering of funds from modern slavery and supports colleagues in their understanding of modern slavery red flags. Colleagues can learn about the different ways an individual may be exploited by a trafficker through such as through control of their bank account and identity documents, for example. The training module was developed with subject matter expertise input from across the Group. By supporting our colleagues to recognise the signs of modern slavery in the workplace or across the supply chain, we can identify potential cases so that the appropriate steps can be taken to prevent exploitation and abuse taking place.

Human rights issues and how we are addressing them

Customers

Economic crime including anti-money laundering and counter-terrorist financing
The Group maintains its focus on protecting and minimising the impact on our customers and the Group whilst reducing the harm to communities caused by criminals and terrorists. See **page 146**.

Data privacy and security
The Group has a Chief Data and Analytics Office which oversees the Group's policies in relation to data privacy and ethical use of data. See **page 147** and our annual report and accounts 2024 → on page 197.

Modern slavery, forced labour and human rights abuses
For further information on our approach to modern slavery and human trafficking, see our modern slavery statement which can be found in our sustainability downloads →

Customers who are more vulnerable including due to critical illnesses, the elderly and customers with disabilities
We are committed to supporting both colleagues and customers through vulnerable situations, see **pages 27 to 30**.

Domestic and economic abuse victims
Our specialist support teams exemplify our commitment to providing tailored assistance for customers in specific circumstances, see **page 29**.

Mental health of customers
Lloyds Bank, Halifax and Bank of Scotland continued to receive the 'Mental Health Accessible' accreditation (Advanced Level) from the Money and Mental Health Policy Institute (MMHPI) in 2024, see **page 30**.

Identified environmental, social, labour and human rights high-risk sectors and excluded activities related to lending and investment activities
The Group is cognisant of environmental and social risks as a result of our lending and investment activities. See **page 79** and **pages 125 to 138**.

Grievance mechanisms and whistleblowing
Speak Up is the Group's whistleblowing programme. It is available to all colleagues across the Group, including suppliers, contractors and third parties. See **page 148**.

How we deliver continued

Human rights and modern slavery continued

Colleagues

Fair remuneration

Lloyds Banking Group became a UK Living Wage Employer in 2015 and we review our pay rates annually to ensure minimum rates are above the statutory minimum and living wage requirements that are applicable in the countries we operate in. We have worked, and continue to work, with third-party contractors to ensure that they operate in line with our commitments and expect them to ensure that the wages they pay meet legally mandated minimum requirements without unauthorised deductions.

Non-discrimination, inclusivity and equality/harsh or degrading treatment/harassment

The Group has an extensive diversity, equity and inclusion programme and is committed to meeting its statutory responsibilities as an employer. We do not tolerate discrimination on the basis of protected attributes including race, religion, national or ethnic origin, citizenship status, political opinion, age, marital or relationship status, carer responsibilities, sex, sexual orientation, gender identity, intersex status, pregnancy, parental status, breastfeeding, disability, veteran status, trade union activity or other legally protected status. We expect the same from all our business partners, clients and suppliers. Read more on **pages 50 to 54**.

Mental health of colleagues

Our focus on mental health is a key component of our colleague health and wellbeing strategy, see **pages 58 to 60**.

Freedom of association/collective bargaining

We support colleagues' rights to exercise freedom of association and have extensive consultation and collective bargaining processes in place, both in the UK and overseas. See **page 56**.

Health and safety of colleagues, contractors and visitors

Ensuring a safe working environment is key to the operation of the Group as we are an organisation dependent on our people. See **page 60**.

Accessibility for persons with disabilities

The Group has an extensive diversity, equity, and inclusion programme. See **page 53**.

Maternity and paternity protection

The Group has an extensive diversity, equity, and inclusion programme. See the Colleague Handbook →

Grievance mechanisms and whistleblowing

The Group runs an independent whistleblowing programme, see **page 148**.

Communities

Access to housing in communities

Through our charity partnership we are working with Crisis (and Simon Community in Northern Ireland) to help them to provide the support that will help people to leave homelessness behind for good. See **page 46**.

Domestic and financial abuse

Our Domestic and Financial Abuse team, set up in 2019, supports survivors to rebuild their finances, see **page 29**.

Drug trafficking and financial exploitation of young people including county lines

We work collectively with industry bodies, law enforcement, regulators and governments. These partnerships are crucial to our ambition to reduce crime across society and to Help Britain Prosper, see **page 146**.

Modern slavery and human trafficking

For further information on our approach to modern slavery and human trafficking and our community-based initiatives, access our modern slavery statement which can be found in our sustainability downloads →

Suppliers

Compliance with UK Modern Slavery Act and mitigation of the risk of human rights or modern slavery risks, including forced labour and child labour, in the countries and communities where they operate

We expect suppliers to meet or exceed the provisions in our code of supplier responsibility → and contractually commit to monitoring modern slavery risks across its business and supply chain.

For more on our approach to responsible and sustainable sourcing, see **page 145**.

Fair remuneration and ethical recruitment practices

We have worked and continue to work, with third-party contractors to ensure that they operate in line with our commitments and expect them to ensure that the wages they pay meet legally mandated minimum requirements without unauthorised deductions.

Access to effective remedy for individual victims of human rights violations/grievance and whistleblowing mechanisms

Speak Up is the Group's whistleblowing programme. It is available to all colleagues across the Group, including suppliers, contractors and third parties. See **page 148**.

We continue to work with Unseen, a UK anti-slavery charity, to deepen our understanding of modern slavery risks within our supply chain and enhance our colleague training.

Purpose in action

Understanding human rights risk: Sancroft

In 2024 we worked with a specialist consultant, Sancroft, to better understand the human rights risks across our investment portfolio. We used the corporate assessment recommendations made by the Taskforce on Social Factors as a foundation for our work. This built on our own analysis, widening the scope of companies, and providing a broader view from a portfolio level. Sancroft analysed 69 industries, representing the majority of the portfolio, to inform a strategic approach to managing these risks and meeting our responsibility to respect human rights.

The analysis was a starting point to understand what sectors and risks appear in our portfolio as well as understanding current standards and gaps in data. As the analysis was based on a salient human rights risks assessment, it is not immediately transferable to investment integration due to the complicated nature of the risks and varying materiality. We will use the findings to review and refine our stewardship approach and inform our engagement with investment managers and influence fund development. The aim is for this analysis to feed into our investment strategies as data availability, consistency and standardisation evolve.

SDG 8.10
Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

SDG 10.4
Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.

Key

Link to strategy

Δ Change

Forward-Looking Statements

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Factors that could cause actual business, strategy, targets, plans and/or results (including but not limited to the payment of dividends) to differ materially from forward-looking statements include, but are not limited to: general economic and business conditions in the UK and internationally (including in relation to tariffs); acts of hostility or terrorism and responses to those acts, or other such events; geopolitical unpredictability; the war between Russia and Ukraine; the conflicts in the Middle East; the tensions between China and Taiwan; political instability including as a result of any UK general election; market related risks, trends and developments; changes in client and consumer behaviour and demand; exposure to counterparty risk; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; fluctuations in interest rates, inflation, exchange rates, stock markets and currencies; volatility in credit markets; volatility in the price of the Group's securities; natural pandemic and other disasters; risks concerning borrower and counterparty credit quality; risks affecting insurance business and defined benefit pension schemes; changes in laws, regulations, practices and accounting standards or taxation; changes to regulatory capital or liquidity requirements and similar contingencies; the policies and actions of governmental or regulatory authorities or courts together with any resulting impact on the future structure of the Group; risks associated with the Group's compliance with a wide range of laws and regulations; assessment related to resolution planning requirements; risks related to regulatory actions which may be taken in the event of a bank or Group failure; exposure to legal, regulatory or competition proceedings, investigations or complaints; failure to comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations; failure to prevent or detect any illegal or improper activities; operational risks including risks as a result of the failure of third party suppliers; conduct risk; technological changes and risks to the security of IT and operational infrastructure, systems, data and information resulting from increased threat of cyber and other attacks; technological failure; inadequate or failed internal or external processes or systems; risks relating to ESG matters, such as climate change (and achieving climate change ambitions) and decarbonisation, including the Group's ability along with the government and other stakeholders to measure, manage and mitigate the impacts of climate change effectively, and human rights issues; the impact of competitive conditions; failure to attract, retain and develop high calibre talent; the ability to achieve strategic objectives; the ability to derive cost savings and other benefits including, but without limitation, as a result of any acquisitions, disposals and other strategic transactions; inability to capture accurately the expected value from acquisitions; assumptions and estimates that form the basis of the Group's financial statements; and potential changes in dividend policy. A number of these influences and factors are beyond the Group's control. Please refer to the latest Annual Report on Form 20-F filed by Lloyds Banking Group plc with the US Securities and Exchange Commission (the SEC), which is available on the SEC's website at www.sec.gov, for a discussion of certain factors and risks. Lloyds Banking Group plc may also make or disclose written and/or oral forward-looking statements in other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group plc to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward-looking statements contained in this document are made as of today's date, and the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document whether as a result of new information, future events or otherwise. The information, statements and opinions contained in this document do not constitute a public offer under any applicable law or an offer to sell any securities or financial instruments or any advice or recommendation with respect to such securities or financial instruments.

LLOYDS
BANKING GROUP

Head office

25 Gresham Street
London EC2V 7HN
+44 (0)20 7626 1500
www.lloydsbankinggroup.com

Registered office

The Mound
Edinburgh EH1 1YZ
Registered in Scotland no. SC095000