



Sustainable Bond Framework 2024

Lloyds Banking Group
24 April 2024

Welcome and agenda



Today's presenters



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Group Corporate Treasury



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Group Sustainable Business



Blake Foster

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Group Corporate Treasury

Section 1: Lloyds' purpose and strategy

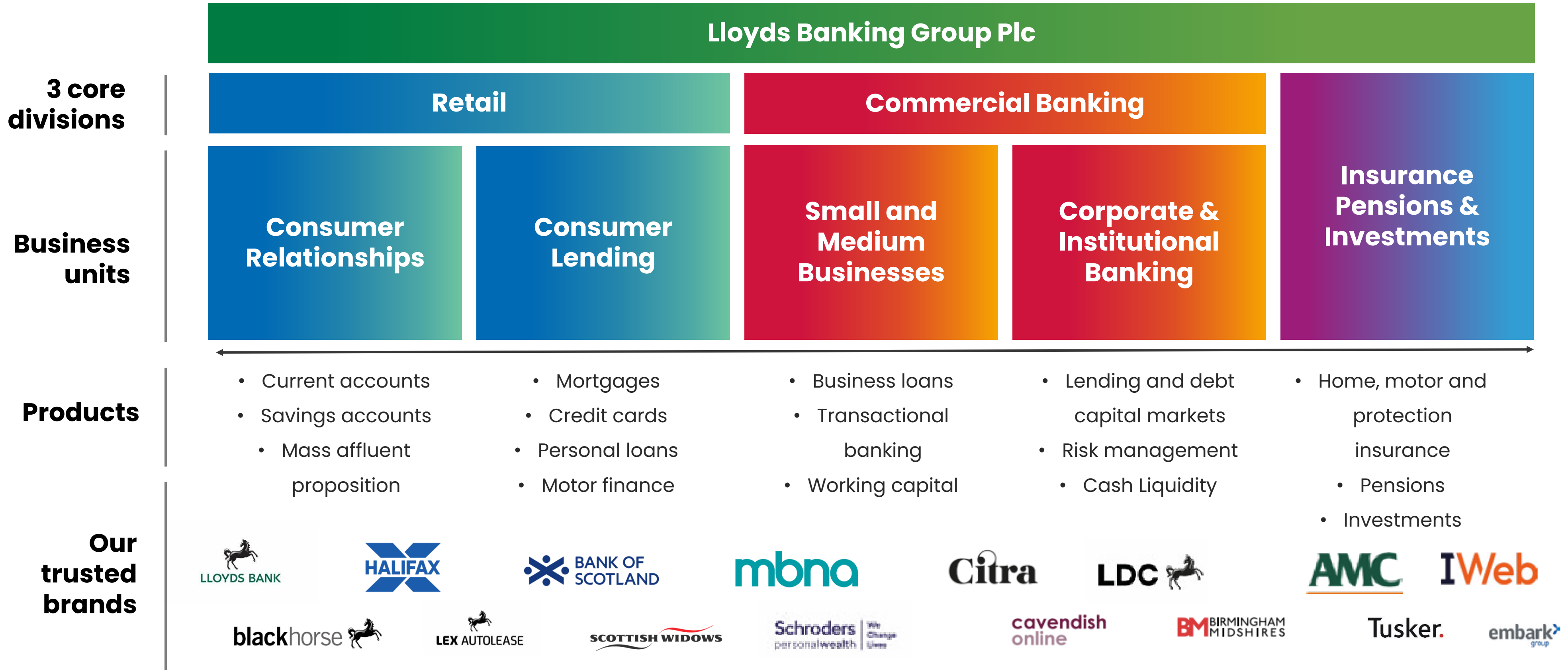
Section 2: Sustainability at Lloyds

Section 3: Sustainable Bond Framework 2024

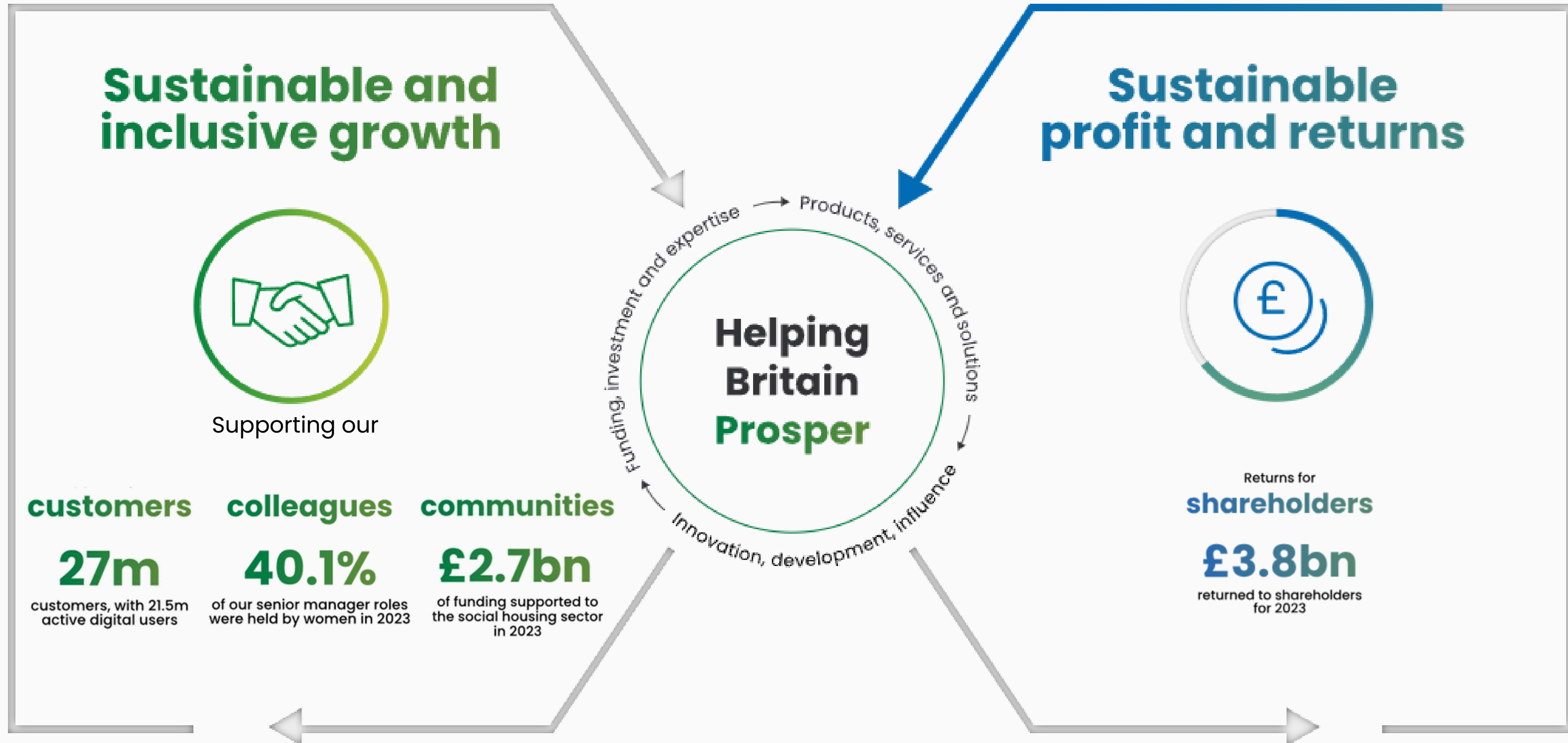
Lloyds' purpose and strategy

01

Leading UK digital bank and integrated financial services provider



Our unique business model



Our sustainability objectives supporting Group priorities



Higher, more sustainable returns and capital generation

Group strategic priorities

Grow

Focus

Change

Drive revenue growth and diversification

Strengthen cost and capital efficiency

Maximise the potential of people, technology and data

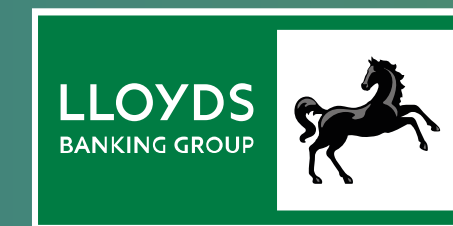
Our sustainability objectives

- Capitalising on **inclusive and sustainable financing** and investment opportunities
- Improving **access to quality housing**
- Increasing access to banking by promoting **financial inclusion and resilience**
- Supporting **regional development** and **productivity**

- Reducing **emissions** and monitoring our sustainability related risks to manage costs and mitigate against future losses
- Strengthening our **balance sheet** by supporting **customers, clients and communities** through challenging times

- **Embedding** sustainability in all that we do
- Supporting and **engaging** our colleagues
- **Building** an inclusive and diverse organisation

Helping Britain Prosper



Sustainability at Lloyds

02

Our sustainability ambitions and targets



Decarbonisation ambitions

- Reduce bank financed emissions by **>50% by 2030**
- **Halve** carbon footprint of Scottish Widows investments **by 2030**
- Reduce our supply chain emissions by **50% by 2030**
- Achieve **net zero** operations **by 2030** and reduce our direct carbon emissions **by at least 90%**



Financing and investment targets

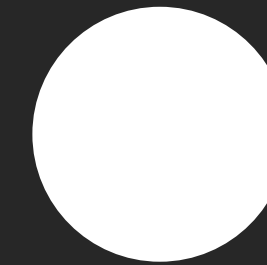
- **£15bn** sustainable finance in Commercial Banking by 2024. **New target** of **£30bn** from 2024-2026
- **£10bn** EPC A and B-rated mortgage lending by 2024
- **£8bn** financing for EVs and PHEVs by 2024
- **£20-25bn** discretionary investment in climate-aware strategies by 2025



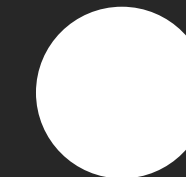
Inclusive Future Targets

- **50%** of senior managers women **by 2025**
- **13%** of senior managers from a Minority Ethnic background **by 2025**
- **3%** of senior managers from a Black Heritage background **by 2025**
- **12%** of colleagues in senior roles who disclose they have a disability **by 2025**

Breakdown of Group's emissions (MtCO₂e)



22.0
Bank financed emissions
(2022)



10.2
Scottish Widows
financed emissions
(2022)

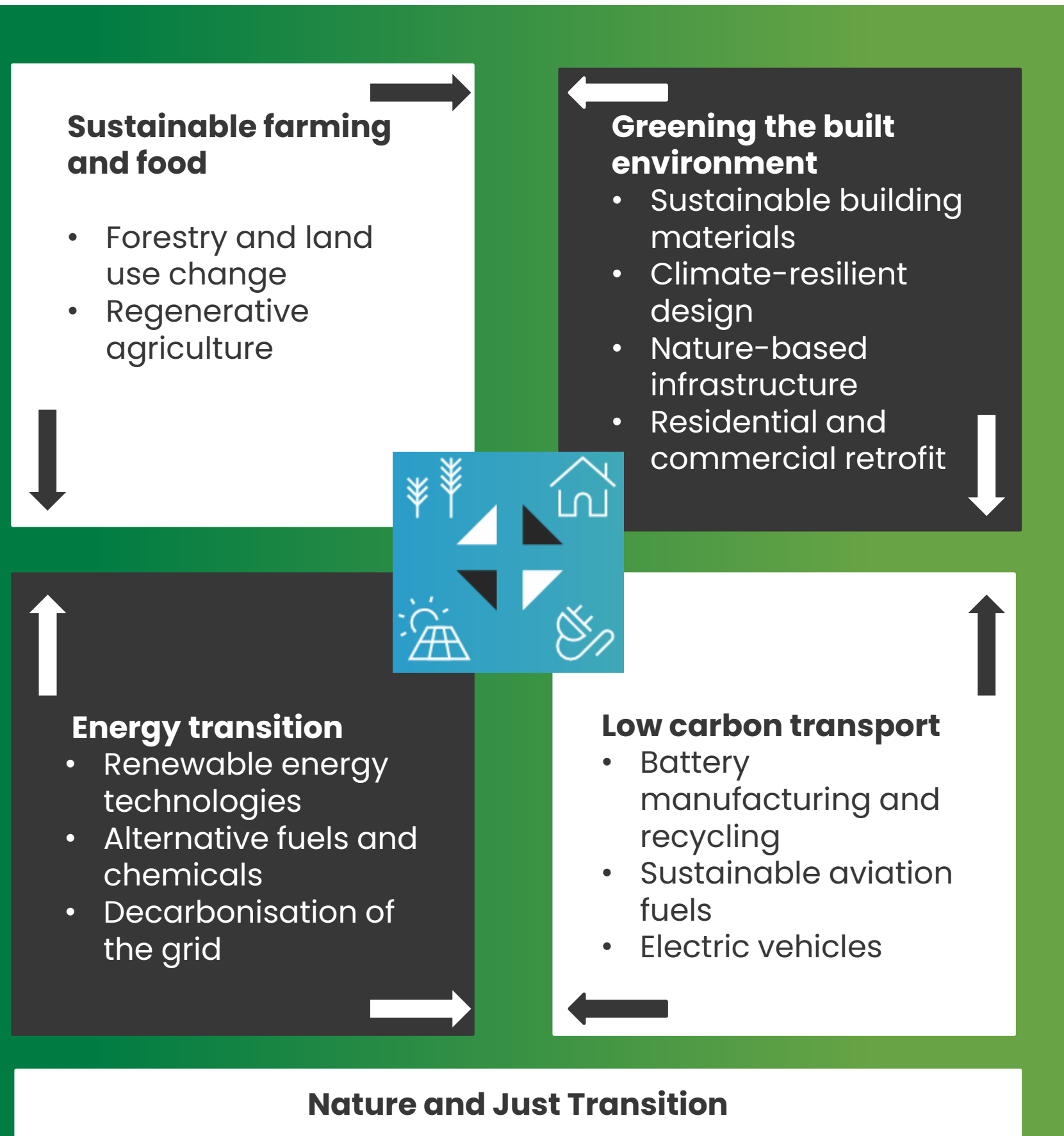


0.8
Supply chain emissions
(2022/23)



0.1
Own operation
emissions (2022/23)

A systems-led approach to support our transition



Target for 2030

Greening the built environment

UK residential mortgages	41% reduction in emissions intensity
Commercial and residential real estate	48% reduction in emissions intensity*

Low carbon transport

Retail motor	50% reduction in emissions intensity
Road passenger transport	49% reduction in emissions intensity*
Automotive OEM	47% reduction in emissions intensity
Aviation	31% reduction in emissions intensity

Sustainable farming and food

Agriculture	25% reduction of absolute emissions*
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Energy transition

Oil & gas	50% reduction of absolute emissions
Power generation	81% reduction in emissions intensity
Thermal coal	Exit UK thermal coal power by 2023; Exit from all entities operating thermal coal facilities by 2030

* New targets launched as part of 2023 reporting

Delivering positive societal change and benefit at scale



Access to Quality Housing

- Increase access to quality housing across income groups and tenures
- Explore opportunities in shared ownership and supporting quality rental and social housing sectors
- Further the building of housing and increase the availability of specialist housing

Regional Development

- Be a key partner in the development of some of the UK's lower income regions
- Focus on opportunities in housing and physical regeneration, regional productivity and skills
- Creation of high-quality jobs, inclusive growth, broadening economic opportunity across the community and a just transition to net zero

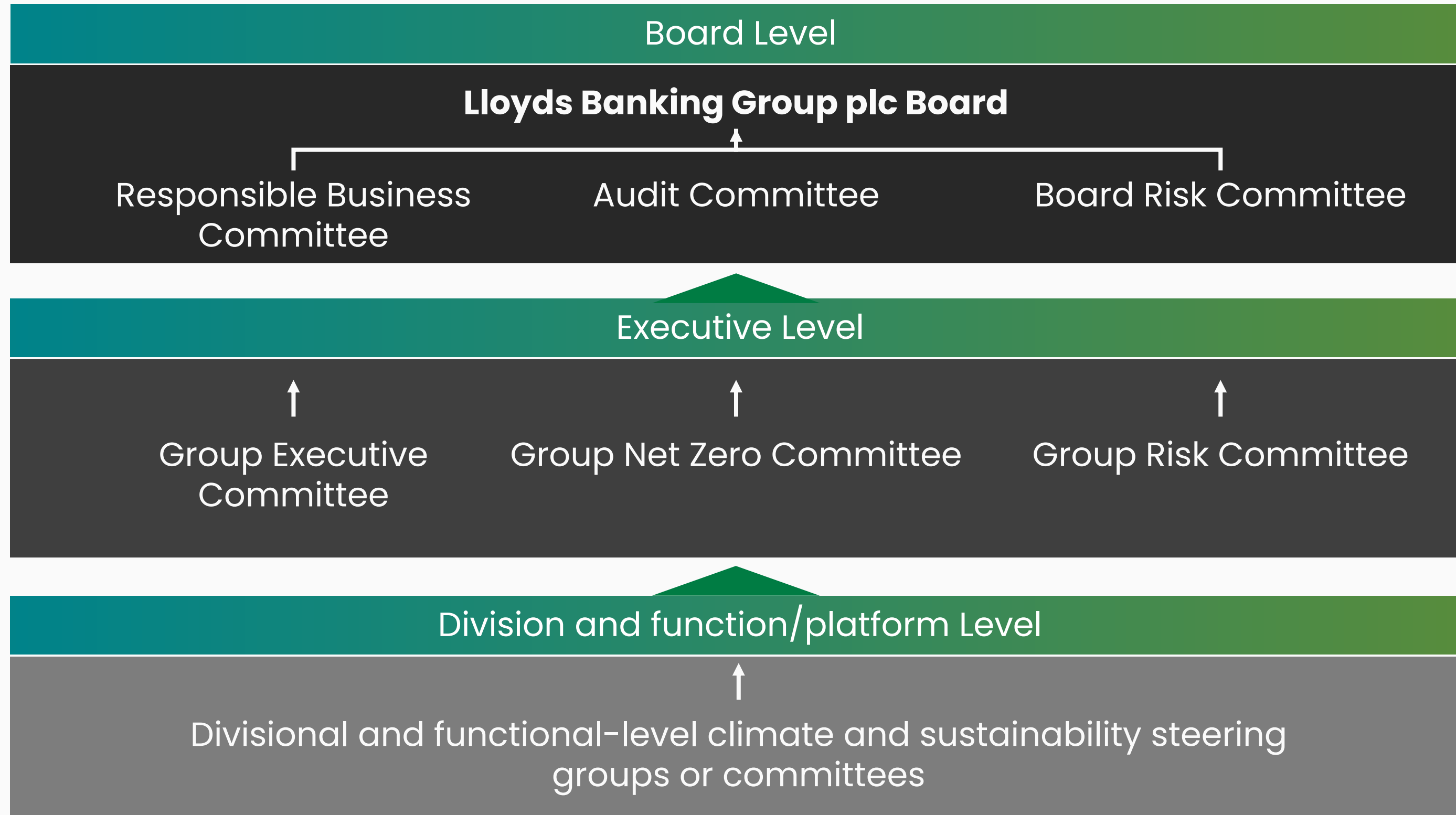
Financial Inclusion and Resilience

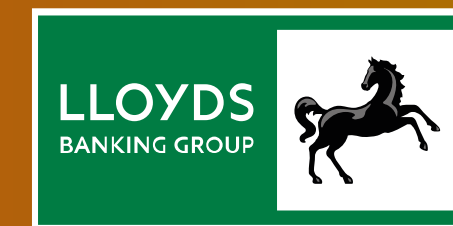
- Support the financial needs of all groups of customers, either through our services or strategic partnerships
- Support through the increased cost-of-living
- Products, processes and services accessible and inclusive by design and deliver good outcomes to customers

Diversity, Equity and Inclusion

- We are transforming the diversity, equity and inclusion of our business to develop inclusive and accessible products
- We believe a more inclusive society is a more prosperous society, and a diverse business is a better business

Established sustainability governance





2024 update

Sustainable Bond Framework

03

Updating Framework for maximum impact

Rationale for updating the Framework

- Finance the Group's Helping Britain Prosper purpose
- Enhance transparency on funded Green or Social investments and associated positive impact
- Identify areas that are material to the Group, and where we are best placed to act and deliver significant positive change

Aligned with market guidelines



Positive contribution to UN SDGs



Updates from the 2019 Framework

Use of Proceeds categories

2019	2023	
Commercial Real Estate	Commercial Real Estate	Homes
Renewable Energy	Renewable Energy	Motor
SME Social Lending	Social Housing	

- **Tighter and more extensive** Commercial Real Estate (CRE) criteria
- Inclusion of **Consumer Lending assets** (retail mortgages and electric vehicles)
- **Reporting** metrics now include CO₂ emissions avoided

Clear and simple framework following ICMA principles



1. Use of Proceeds

Proceeds allocated to eligible asset categories:

Green

- Green Buildings
- Renewable Energy
- Energy Efficiency
- Clean Transportation

Social

- Affordable Housing

2. Project Evaluation and Selection

The **Sustainable Bond Committee** is responsible for eligibility assessment and allocation as set out by the Framework

Look back period of **36 months**

3. Management of Proceeds

Portfolio approach adopted

Upon issuance, an amount equal to net **proceeds will be allocated** to finance or re-finance Eligible Assets

4. Reporting

Impact and Allocation Report to be published **annually** whilst bonds outstanding

Allocation reporting on the Eligible Asset portfolios and proceeds raised

Impact reporting focused on emissions avoided (Green) and number of Social Housing Companies supported (Social)

External Review

Sustainalytics **SPO** published alongside Framework indicating It is **credible, robust, transparent and in alignment** with the ICMA Green Bond Principles 2021 and Social Bond Principles 2023.

Limited **assurance** services have been requested for **post-issuance** reporting

Use of Proceeds: eligible green assets categories



Green buildings



- Construction, acquisition or retrofitting of buildings which meet the regional, national, or internationally recognised standards or certifications outlined in the Framework

Renewable Energy



- Generation, equipment, development, manufacturing, construction, operation, storage, and maintenance of renewable energy generation sources
- Assets supporting electricity transmission and distribution projects
- Energy storage technologies connected to renewable energy projects

Energy Efficiency



- Development, manufacture, repair, maintenance or installation of energy efficiency technologies, products, and systems
- Renewable powered (electric or hydrogen fuelled), access or construction equipment

Clean Transportation



- Development, sale, leasing, operation, and upgrade of low carbon transportation for people and materials

Framework contains further detail on eligibility criteria and exclusions

Eligible social categories

Affordable housing

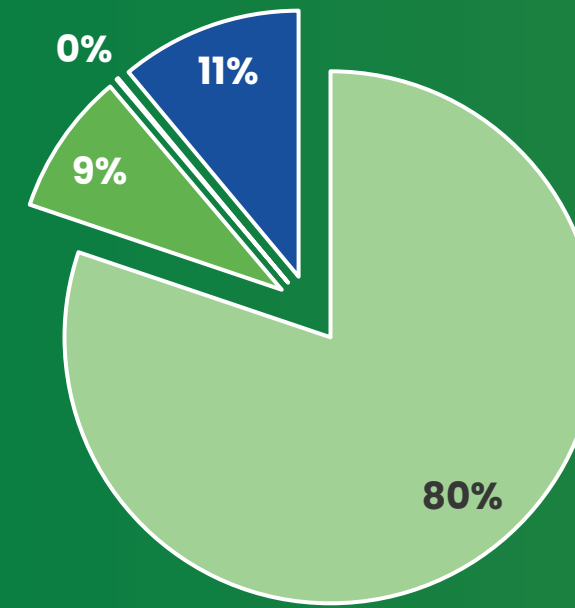
- Eligible Assets to UK accredited or registered Housing Associations
- Target populations are identified by UK local authorities and set according to the needs for the local area



Framework contains further detail on eligibility criteria and exclusions

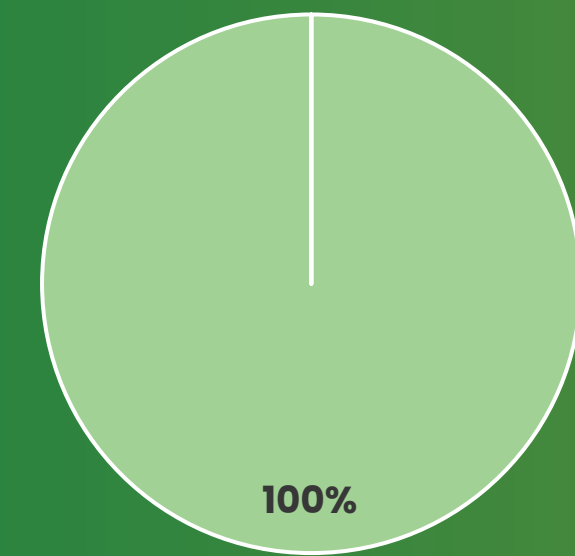
Illustrative eligible asset portfolios

Eligible Green Asset Portfolio by Sector



- Green Buildings
- Renewable Energy
- Energy Efficiency
- Clean Transportation

Eligible Social Asset Portfolio by Sector



- Affordable housing

- Expect eligible portfolio to be skewed towards residential mortgages; in-line with our wider loan book
- Ambition is to grow these portfolios over time
- Demonstrate additionality through the initial 3-year look back period

Project evaluation and Management of proceeds



Process for project evaluation and selection



- Proceeds or an equivalent amount from issuances under this Framework will be allocated to finance or re-finance, in whole or in part, assets in the Green and Social Eligible Portfolios
- Look back period of 36 months
- Asset eligibility overseen by the Sustainable Bond Committee (SBC) with reference to
 - Framework's eligibility criteria and
 - Group's Environmental, Social and Governance Risk Management Criteria
- The SBC will meet on an annual basis at a minimum, or more frequently as required

Management of proceeds

- Managed on a portfolio basis
- Expectation that assets in Eligible Portfolios will always be equal to or greater than issuance proceeds under the Framework
- Database of eligible assets will be monitored, reviewed and approved - or declassified - by the Sustainable Bond Committee on an annual basis, or more frequently as required

Reporting



Impact metrics

Annual Allocation and Impact Report will be published until maturity of the instrument(s) issued under the framework

Allocation report will disclose at a minimum:

- The breakdown of Eligible Green and Social portfolios, split by category
- The total amount of proceeds raised through bond issuance and allocated to the Eligible Asset portfolios
- The balance of unallocated proceeds, if any

Impact Report will disclose at a minimum:

- For Eligible Green Assets, the annual carbon emissions avoided (tCO₂ equivalent)*
- For Social Assets, the number of social housing companies supported

* For some sub-categories such as green assets in construction we will use forecast avoided emissions. See framework document for fuller details

Second Party Opinion of Framework

Sustainalytics has opined that Lloyds Banking Group Sustainable Bond Framework is:

- Credible, robust, transparent and in alignment with the Green Bond Principles 2021 (with 2022 Appendix) and Social Bond Principles 2023
- Aligned with the Bank's overall sustainability strategy and initiatives
- Detailing eligible projects that are expected to have a positive environmental and social impact
- Detailing adequate measures to identify, manage and mitigate environmental and social risks

Overall, Sustainalytics is confident that LBG is well positioned to issue senior unsecured bonds, secured bonds, subordinated bonds, covered bonds and commercial paper

Post-issuance external verification

Limited assurance services have been requested for annual allocation and impact reporting

Conclusion



Sustainable Bond Framework

APRIL 2024

Second-Party Opinion Lloyds Banking Group Sustainable Bond Framework

Evaluation Summary
Sustainalytics is of the opinion that the Lloyds Banking Group Sustainable Bond Framework is credible and impactful and aligns with the Green Bond Principles 2021 and Social Bond Principles 2023. This assessment is based on the following:

USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation and Affordable Housing – are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.

PROJECT EVALUATION AND SELECTION LBG's Sustainable Bond Committee will evaluate, select and monitor eligible projects. The committee comprises representatives from the Group's Corporate Treasury, Sustainable Business, Environmental Sustainability, Risk, Finance Sustainability Reporting, Legal, Conduct Compliance and Operational Risk, and Portfolio Analytics departments and other divisions. LBG has internal processes to address environmental and social risks associated with the eligible assets. Sustainalytics considers these processes to be in line with market practice.

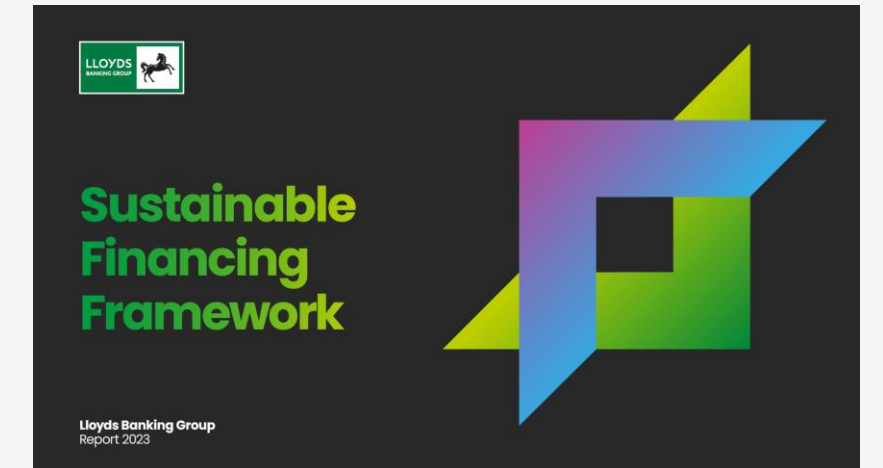
MANAGEMENT OF PROCEEDS LBG's Sustainable Bond Committee will be responsible for the management and allocation of proceeds to eligible projects through an internal tracking system. The Bank will allocate proceeds at the time of issuance. Pending allocation, proceeds will be temporarily held in cash or short-term liquid investments. Sustainalytics considers this to be in line with market practice.

REPORTING LBG intends to report on allocation of proceeds on its website on an annual basis. This report will include the size of the green and social portfolios by number of loans and balances at a category level, the amount raised through bond issuance and allocated to eligible assets and the balance of unallocated proceeds. In addition, LBG is committed to reporting on relevant impact metrics. Sustainalytics views LBG's allocation and impact reporting commitments as aligned with market practice.



Evaluation Date	23 April, 2024
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