WHEN TRUST MATTERS

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

Published: February 2025

Prepared by: DNV Business Assurance Services UK Limited
Location: London, U.K.
Date: 07 January 2025

This statement is valid as long as the updated Framework to be published in February 2025, remains materially unchanged.

CONTENTS

DNV ELIGIBILITY ASSESSMENT

Scope and objectives

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

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

Lloyds has also outlined several ambitions to deliver further positive sustainable and inclusive change through cross-Group efforts. For example, the decarbonisation of its business is in line with limiting global warming to a 1.5°C scenario above pre-industrial levels, which will be achieved by reducing the carbon emissions it finances by more than 50% by 2030 on the path to net zero by 2050 or sooner[1]. To support this, Lloyds has set sustainable finance targets in the form of 'lending' and 'investment' targets in several areas.

To track and disclose progress against the sustainable finance lending targets, Lloyds has updated its **2023 Sustainable Financing Framework** this year (the 'Framework'). This will serve as a methodology for classifying which financial products and services offered by the Group may be described as sustainable.

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

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

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

The Framework covers Lloyds Banking Group's Consumer Lending, Business and Commercial Banking, and Corporate & Institutional Banking eligible products. It also sits alongside the Group's Sustainability Bond Framework[2].

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

Our methodology to achieve this is described under 'Work Undertaken' below. DNV was not commissioned to provide independent assurance or other audit activities. DNV notes that bond issuances may also be covered within the scope of the Framework. DNV was not commissioned to provide an eligibility assessment of the Framework against bond principles. Lloyds has confirmed that bond issuances will have undergone a separate bond assessment process and Lloyds will only include customer bond issuances where there is a separate SPO in place.

No assurance is provided regarding the financial performance of bonds or loans issued under the Group's Framework, the value of any investments, or the long-term environmental and/or societal benefits of the associated transactions. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

Responsibilities of the Management of Lloyds and DNV

The management of Lloyds has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and intends to inform Lloyds management and other stakeholders interested in the Framework, as to whether the established criteria have been met, based on the information provided to us.

In our work we have relied on the information and the facts presented to us by Lloyds. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by Lloyds' management, and used as a basis for this assessment, were not correct or complete.

Basis of DNV's opinion

We have adapted our eligibility assessment protocol which incorporates the requirements of the GLPs, SLPs and the SLLPs, to create a **Lloyds-specific Sustainable Finance Eligibility Assessment Protocol** (henceforth referred to as 'Protocol'). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion.

As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the following Principles split by type of financing:

1 Lloyds Banking Group | Sustainability Report 2024 (online).
2 Lloyds Banking Group | Sustainability Bond Framework (online).

Basis of DNV's opinion continued

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

Work undertaken

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

The work undertaken to form our opinion included:

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

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

Findings and DNV's opinion

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

USE OF PROCEEDS FINANCING

Principle 1

Use of Proceeds.

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

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

Eligible Green Categories:

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

Eligible Social Categories:

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

For Eligible Green Categories, Lloyds has specified suitable eligibility criteria leaning on references such as, the Climate Bonds Initiative Taxonomy and the EU Taxonomy for Sustainable Business Activities.

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

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

Principle 2

Process for Project Evaluation and Selection.

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

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

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

The Group Consumer Lending business unit:

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

- Vehicles (i.e. as per applicable Clean Transportation criteria) for Motor lending
- Residential Buildings (i.e. as per applicable Green Buildings criteria) for Home lending

Due to the smaller values of the loans provided by the Group's Business and Commercial Banking and Consumer Lending unit, Lloyds will use source data to validate the type of activity, and its alignment with the applicable eligibility criteria as per the Framework. This process is supported by the 'Group's Three Lines of Defence' model.

These three lines are as follows:

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

The Business & Commercial Banking (BCB) business unit:

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

The Corporate and Institutional Banking (CIB) business unit:

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

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

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

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

Principle 3

Management of Proceeds.

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

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

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

- For real estate transactions, loan draw-downs will be against development milestones or building certification
- Project finance transactions will have project accounts, and will be subject to project delivery milestones

Principle 3 continued

Management of Proceeds continued.

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

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

Principle 4

Reporting.

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

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

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

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

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

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

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

SUSTAINABLE BUSINESS FINANCING

Principle 1

Use of Proceeds.

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

- 90 per cent or more of the client's revenue are generated from Eligible Green and/or Social activities, as per the eligibility criteria set out in the Framework, and in Schedule 1 of this opinion
- None of the client's revenue is generated from activities listed in the exclusions list within the Framework, or within Lloyds' External Sector Statements[3]

As an exception, general-purpose lending may qualify as Sustainable Business Financing outside the 90 per cent revenue test if the following conditions are met:

- It is justified by a strong, objective rationale, which falls in line with the purpose of the Framework
- Excludes the sectors and projects associated in the exclusions list as outlined in the Framework, or in the Company's External Sector Statements

There are three clearly defined sectors to which this applies:

- UK registered social housing providers: Providers operate within the boundaries that ensures they can only spend on relevant activities which target more vulnerable populations
- UK Universities: Publicly funded universities, where tuition and means-tested maintenance loans are made available to UK students only. Private universities are excluded
- NHS GP surgeries: GP surgeries that provide public sector healthcare services

Eligible Green Categories:

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

Eligible Social Categories:

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

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

Principle 2

Process for Project Evaluation and Selection.

Lloyds has confirmed that the Group will review a client's revenues against the green and social activities as defined within the Framework. It will determine if 90 per cent or more of a client's revenues align with the Green and/or Social Eligibility Criteria, and that no activities fall under the exclusions criteria as defined in the Framework and/or within Lloyds' External Sector Statements.

DNV notes Lloyds' confirmation that this will be done practically by reviewing the client's annual reporting and accounts, together with any additional information on the clients' revenues the Group has access to as a result of its client relationship. Lloyds has further confirmed that the Group will regularly review the continuing achievement of the Sustainable Business Financing thresholds through its ongoing relationship management with the client.

Where Lloyds is using the exception for Social Housing, universities and GP surgeries, they are to ensure there is a justifiable and impactful case that they are clearly able to demonstrate supports vulnerable populations.

DNV concludes that Lloyds has an appropriate evaluation and selection process in place to tag a client's transaction that can be labelled as Sustainable Business Financing, and that this is in line with the GLPs and the SLPs.

3 Lloyds Banking Group | LBG External Sector Statements.

Principle 3

Management of Proceeds.

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

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

Where the exception is being used, the same process under the Management of Proceeds applies.

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

Principle 4

Reporting.

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

On the basis of the evidence reviewed, it is DNV's opinion that Lloyds' commitment to regularly review a client's Sustainable Business Financing thresholds meets the reporting requirements of the GLPs and the SLPs.

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

SUSTAINABILITY-LINKED FINANCING

Principle 1

Selection of Key Performance Indicators (KPIs).

Lloyds has committed to working with the borrower to help them select one or more sustainability KPIs, dependent on the nature of the business.

Lloyds has further confirmed that the selected KPIs must be:

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

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

Lloyds has also confirmed that the Green Assets Eligibility Forum (GAEF) is responsible for reviewing and interpreting guidance, to confirm The eligibility for all Sustainability-Linked Loans (SLLs) against the SLLPS.

On the basis of the evidence reviewed, DNV can confirm that the commitments made by Lloyds' with regards to the process in place for the selection of the borrower's KPIs, are in line with the requirements as stated in the SLLPs.

Principle 2

Calibration of Sustainability Performance Targets (SPTs).

Lloyds has committed that, for the inclusion of any SLL under the Sustainable Financing Framework, SPTs must be ambitious and consistent with the borrower's overall sustainability and business strategy, and will represent a material improvement in the respective KPIs beyond a 'Business as Usual' trajectory.

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

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

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

Principle 3

Financial Characteristics.

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

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

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

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

Principle 4

Reporting.

Lloyds has confirmed that the borrower will be responsible for reporting on the performance of the agreed KPIs against the SPTs. DNV notes that reporting will be provided on an annual basis as a minimum, although the first reporting period may be greater than 12 months. DNV further notes that the reporting must demonstrate the achievement (or not) of the SPTs, along with the External Reviewer's assessment of the KPI performance.

The reporting may include, as applicable and when feasible, the following:

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

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

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

Principle 5

Verification (Post-issuance).

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

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

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

On the basis of the information provided by the Group, and the work undertaken, it is DNV's opinion that the Lloyds Sustainable Financing Framework 2024 (published February 2025) meets the intended criteria established in the Protocol and that it is aligned with the stated definitions of Green Loans within the Green Loan Principles (GLP) 2023 and Social Loans within the Social Loan Principles (SLP) 2023 for Use of Proceeds financing.

For Sustainable Business Financing, DNV concludes that the Framework meets Principles 1 and 2 of the GLP and the SLP. We can also conclude that due to the nature of the financing, and on the basis of the evidence reviewed, it is DNV's opinion that it also aligns with Principles 3 and 4 of the GLPs and the SLPs on a transparent, practical and best-effort basis where applicable. DNV concludes that the commitments made by Lloyds within the Framework align with the stated definition of Sustainability-Linked Loans within the Sustainability-Linked Loan Principles (SLLP) 2023.

for DNV Business Assurance Services UK Limited
London, 07 January 2025

George Oakman
Senior Consultant & Project Manager – DNV

Niki Hutson (PhD)
Head of Sustainable Finance & Lead Reviewer – DNV

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

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 15,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

Schedule

01

Description of Eligible green and social activities as per Lloyds' Sustainable financing framework

ELIGIBLE GREEN CATEGORIES

Lloyds has set out the eligibility criteria for classifying an activity as 'green' under the Framework, while also indicating the UN Sustainable Development Goals (SDGs) in which each activity aligns with. Where applicable, the exclusionary criteria for an activity have also been reported. The Eligible Green Criteria and applicable exclusions have been outlined in the table below. Lloyds has confirmed that to comply with a given set of eligibility criteria, an activity cannot be in contradiction with the rest of the eligibility and exclusionary criteria outlined in the Framework, nor can it be in contradiction with Lloyds' External Sector Statements. For all of Lloyds' Commercial Banking clients, Lloyds has further confirmed that ESG-related risks are taken into account for all Commercial Banking clients (excluding automated decision-making processes). For Consumer Lending, the Group utilises source data to verify the type of activity and its compliance with the Eligibility Criteria, such as relevant, recognisable data metrics for the sector. DNV can confirm that our assessment is based on the activities outlined in this Schedule. Lloyds has confirmed that the list of Eligible Green Activities is expected to evolve and may include activities, which have not yet been assessed in this Opinion. Lloyds has confirmed that the same level of due diligence that went into the construction of the current list of eligible activities, will be applied to any future updates.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Energy generation, transmission, distribution, and storage			
Electricity Generation	Renewable energy generation from the following technologies: • Wind power (onshore and offshore) • Solar photovoltaic (PV) • Concentrated solar heat & power generation (CSP), and other solar thermals where the large majority[4] of the electricity generated from the facility is derived from solar energy sources • Geothermal: Lifecycle GHG emissions from the generation of electricity from geothermal energy are lower than 100g CO_2e/kWh • Ocean energy (wave and tidal) • Electricity generation from biomass certified as being from sustainable sources[5] (e.g. FSC, ISCC, RSPO, SBP, PEFC[6]). Lifecycle GHG emissions should be at least 80 per cent[7] lower for electricity generation from biomass when compared to a fossil-fuel baseline[8] • Hydropower/hydroelectric generation that complies with either of the following criteria: o The electricity generation facility is a run-of-river plant o **Operation before 2020**: 1) The power density of the electricity generation facility is above 5 W/m^2; 2) The life cycle GHG emissions from the generation of electricity from hydropower is less than 100g CO_2e/kWh o **Operation on or after 2020**: 1) The power density of the electricity generation facility is above 10 W/m^2; 2) The life cycle GHG emissions from the generation of electricity from hydropower is less than 50g CO_2e/kWh o Any generation from an artificial reservoir would be subject to Lloyds Banking Group's criteria for hydro-generation above o The construction and operation of facilities used for cogeneration of heating/cooling and power from renewable energy, in line with the eligibility criteria as defined in this Framework • Improvements to output of existing renewable energy assets, e.g. larger turbines for old wind farms • The development or construction of district heating or cooling generation and distribution networks including transmission infrastructure directly connected to a power generation plant primarily powered by renewables, waste heat or both • The development or construction of Combined Heat and Power (CHP) Plants where the generator combined with equipment for recovering and using the heat produced is powered primarily by renewables, waste heat or both	• Biomass or biogas from peat and non-sustainably produced crops • In dedicated bio-waste treatment plants, the share of food and feed crops used as input feedstock cannot be more than 10 per cent of the input feedstock[9] • New biomass electricity generation with a total rated thermal input exceeding 20MW without carbon capture and storage or credible transition plans to fit it[10] • Large scale hydropower (>25MW installed capacity) subject to review in line with the Equator Principles • Projects utilising waste heat from fossil fuel production and operations • Investment in fossil fuel-powered plants	**SDG 7** Affordable and clean energy **SDG 9** Industry, innovation and infrastructure **SDG 13** Climate action

4 Facilities shall have no more than 15 per cent of electricity generated from non-renewable sources.
5 Lloyds may consider additional certification schemes so long as such schemes are considered to be equivalent to internationally recognised certification schemes. For micro-generation or smaller landowner clients who are unable to attain certification, the Group may also consider bespoke data to show 100 per cent of woody biomass feedstocks are sustainable.
6 Forest Stewardship Council, International Sustainability and Carbon Certification, Roundtable on Sustainable Palm Oil, Sustainable Biomass Programme, Programme for the Endorsement of Forest Certification.
7 The greenhouse gas emission savings from the use of biomass are at least 80 per cent in relation to the GHG saving methodology and the relative fossil fuel comparator.
8 Fossil fuel baselines for biofuel production facilities: (1) Biofuels (for transportation) – 94g CO_2e/MJ; (2) Bioliquids (production of electricity) – 183 CO_2e/MJ; and (3) Bioliquids (production of heat) – 80 CO_2e/MJ as per the EU Renewable Energy Directive II. For outermost regions and non-EU countries, the following baseline is applicable for electricity generation: 212g CO_2eq/MJ.
9 Measured in weight, as an annual average.
10 Credible transition plan which is in line with science-based pathways.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Energy generation, transmission, distribution, and storage continued			
Manufacture of biogas, biofuels, hydrogen and other low carbon gases	• Production of bioenergy (biogas and biofuels) certified as being from sustainable sources (e.g. FSC, ISCC, RSPO, RTRS, PEFC[11]) Chain of custody is required if not already captured as part of certification requirements. Lifecycle GHG emissions should be at least 65 per cent lower for the production of biofuels and biogas when compared to a fossil-fuel baseline[12] • Production of hydrogen with an emissions intensity of no more than 20g CO_2e/MJLHV of produced hydrogen up to the point of production, in line with the UK low-carbon hydrogen standard • Production of sustainable transport fuel, e.g. SAF where this meets national or international input standards	• Any manufacturing associated with fossil fuel gases • In dedicated bio-waste treatment plants, the share of food and feed crops used as input feedstock, measured in weight, as an annual average, is less than or equal to 10 per cent of the input feedstock • Food and feed crops are not to be used for the manufacture of biofuels for use in transport and for the manufacture of bioliquids	**SDG 7** Affordable and clean energy
Electricity transmission and distribution	• Infrastructure directly connecting renewable energy or integrating renewable energy into existing transmission networks • Assets supporting electricity transmission and distribution projects which facilitate the development of renewable energy projects by connecting them to the UK National Grid or European grid system • Installation of voltage/optimisation equipment/systems intended to reduce the curtailment of renewable energy from the grid • Activities that replace equipment or assets containing SF6 for a cleaner alternative	• Transmission and distribution lines directly connected or dedicated to unabated (without Carbon Capture Usage and Storage (CCUS) fossil fuel power)	**SDG 7** Affordable and clean energy
Gas transmission and distribution	• The following transmission and distribution activities apply only where 0 per cent fossil fuel gas is being transported through the networks: o Construction or operation of new transmission and distribution networks dedicated to hydrogen, biogases or other low-carbon gases o Retrofit of existing natural gas transmission and distribution networks to 100 per cent low carbon hydrogen (no more than 20g CO_2e/MJLHV)	• Gas network infrastructure associated with the transportation of fossil fuel gases • Infrastructure that connects to high-carbon sources of hydrogen and other gases (e.g. hydrogen produced from natural gas)	**SDG 7** Affordable and clean energy
Energy Storage	• Energy storage technologies connected to renewable energy projects: o Batteries o Thermal o Mechanical o Pumped hydro • Manufacturing of EV batteries and battery technology	• Energy storage dedicated to unabated (without CCUS) fossil fuel power • Hydropower plants that fail to meet the criteria for eligible activities outlined under 'Electricity generation'	**SDG 7** Affordable and clean energy

11 Forest Stewardship Council, International Sustainability and Carbon Certification, Roundtable on Sustainable Palm Oil, Round Table on Responsible Soy, Programme for the Endorsement of Forest Certification.
12 Pre-2021 installations with 60 per cent lifecycle emission reduction below the baseline and pre-2015 installations with 50 per cent lifecycle emissions reduction below the baseline.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Energy generation, transmission, distribution, and storage continued			
Renewable Energy Technologies Supply Chain	• Development and/or manufacture of renewable energy technologies, including equipment for renewable energy generation and energy storage connected to renewables as defined under the 'Electricity Generation' sub-theme		**SDG 7** Affordable and clean energy
Built environment			
Commercial and Residential Buildings[13]	Construction, acquisition or retrofitting of buildings: **Consumer lending for Residential Buildings:** • Energy performance certificate (EPC) of B or better **Commercial Lending for Existing Residential or Commercial Buildings:** • EPC Rating B or better • Buildings identified as being in the top 15 per cent for Primary Energy Demand • Buildings certified to an acceptable level under an internationally recognised green building certification scheme, such as: o BREEAM: Excellent or Higher o LEED: Gold or Higher o EDGE: Certified of Higher o Home Quality Mark 4 or Higher (residential buildings only) o NABERS 5 or above (commercial buildings only) • Data Centres: Alignment to the Climate Neutral Data Centre Pact (CNDCP) commitment targets for 2030[14]	• Activities related to buildings directly involved in the exploration, extraction, refining and distribution of fossil fuel, or unabated (without CCUS) use of thermal coal • Investment in fossil fuel-powered eco-pods	**SDG 7** Affordable and clean energy **SDG 9** Industry, innovation and infrastructure **SDG 11** Sustainable cities and communities **SDG 13** Climate action

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

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Built environment continued			
Commercial and Residential Buildings continued	**Commercial Lending for Development of New Homes:** • EPC rating B+ or better for the development (i.e. higher end SAP scores within the B rating) with an absolute floor of EPC rating B for each individual unit • The buildings must meet at least the bronze level of the NextGeneration Project criteria • The buildings should be certified to an acceptable standard under a globally recognised green building certification scheme, as outlined in the 'Commercial lending for existing residential or commercial buildings' section **Commercial Lending for Development of New Commercial Buildings:** • EPC rating of B or higher • Buildings certified to an appropriate standard under a globally recognised green building certification programme – refer to the certifications listed under 'Commercial lending for existing residential or commercial buildings' • Data Centres: Alignment to the Climate Neutral Data Centre Pact (CNDCP) commitment targets for 2030	• Activities related to buildings directly involved in the exploration, extraction, refining and distribution of fossil fuel, or unabated (without CCUS) use of thermal coal • Investment in fossil fuel-powered eco-pods	**SDG 7** Affordable and clean energy **SDG 9** Industry, innovation and infrastructure **SDG 11** Sustainable cities and communities **SDG 13** Climate action

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Built environment continued			
Commercial and Residential Buildings continued	**Retrofitting (Commercial Lending for Residential or Commercial Property Only):** • Retrofit of Existing Buildings (residential and commercial) which results in a 30 per cent reduction in energy use[15] or carbon emissions or to EPC B or better[16] • Loans or other credit provisions, the use of which is to deliver one or multiple eligible retrofitting activities. Retrofitting activities include, but are not limited to: o LED lighting o Heat pumps o Solar water heating o Water source heating o Replacement or refurbishment of existing heating/cooling systems in buildings with more efficient, non-fossil fuel powered systems o Refurbishment of heating, ventilation & air conditioning systems o Installation, maintenance and repair of insulation o Maintenance and repair of energy efficiency equipment o Devices or technology for measuring, regulation and controlling energy performance of buildings (e.g. installation of voltage optimisation equipment/systems) o Installation of energy management systems o Installation, maintenance and repair of on-site renewable energy technologies o Water efficiency improvements, e.g. Water efficient toilets (dual flush devices/water displacement devices) o Double/triple glazing o Battery storage o Resilience measures, e.g. products to enhance resistance to flooding such as flood doors and windows or demountable barriers **Eco-pods/sustainable camping:** • Eco-pods showcasing sustainable construction methods, low-power usage, and renewable energy and heating options such as solar, sustainable biomass, or fully grid-powered solutions		**SDG 7** Affordable and clean energy **SDG 9** Industry, innovation and infrastructure **SDG 11** Sustainable cities and communities **SDG 13** Climate action

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

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Energy efficiency			
Transmission and Distribution Systems	• The development, manufacture, installation of technologies or components designed for efficient transmission and distribution of renewables and low-carbon emission gases • Infrastructure for bioenergy sources as listed in 'Energy Generation, Distribution and Storage', which includes the refining of eligible biofuels and transportation/pipelines	• Energy efficiency improvements to transmissions lines connected or dedicated to fossil fuel unabated power • Biofuel blending facilities	**SDG 7** Affordable and clean energy
Industrial processes and supply chains	• Upgrades, improvement and installation of technologies and equipment which increases energy efficiency by 40 per cent industrial and manufacturing processes and by 50 per cent for agricultural processes • Development, manufacture and distribution of technology, equipment and software that are specifically designed to increase the energy efficiency of industrial and manufacturing processes such as demand management technologies • Industrial/utility energy efficiency improvements involving changes in processes, reduction of heat losses and/or increased waste heat recovery • Assets utilised in the production of energy-efficient, sustainable products, or those that facilitate renewable energy generation	• Projects to improve energy efficiency of equipment or technologies used in fossil fuel production and/or distribution • Projects using waste heat from fossil fuel production/operation • Operations involving deforestation or clearing within High Conservation Value Forests, UNESCO World Heritage Sites, IUCN Protected Areas (Categories I – IV), Ramsar Wetlands, Man and the Biosphere Reserves, and other High Conservation Value Areas • Equipment that is directly powered by fossil fuel	**SDG 7** Affordable and clean energy **SDG 9** Industry, innovation and infrastructure
Buildings and other infrastructure	• Development of Information Communication Technology (ICT) solutions where the activities are predominantly aimed at the provision of data and analytics enabling greenhouse gas emission reductions • Deployment of fibre broadband to households and commercial premises	• Projects that improve the energy efficiency of fossil fuel-based energy generation (coal-fired power plants, oil, natural gas) • Businesses or projects focused on fossil fuel production, distribution or power generation	**SDG 7** Affordable and clean energy **SDG 9** Industry, innovation and infrastructure

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Energy efficiency continued			
Energy Efficiency Technologies	• Development, manufacture, repair, maintenance or installation of energy efficiency technologies, products, and systems including: o Smart meters for electricity o Energy efficient lighting o Highly efficient heating, ventilation and air conditioning (HVAC) systems o Distributed generation o Peak demand management o Devices measuring, regulating, or controlling energy performance of buildings o Deployment of fibre broadband to households and commercial premises	• Projects that improve the energy efficiency of fossil fuel-based energy generation (coal-fired power plants, oil, natural gas) • Businesses or projects focused on fossil fuel production, distribution or power generation	**SDG 7** Affordable and clean energy **SDG 9** Industry, innovation and infrastructure
Equipment	Renewable powered (e.g. electric, biogas or hydrogen-fuelled) equipment, access equipment and/or construction equipment (e.g. fork-lift trucks, scissor lifts and excavation machinery).		**SDG 7** Affordable and clean energy

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Environmentally sustainable management of living natural resources and land use			
Sustainable agriculture	• Investment in sustainable agriculture activities which support: o Agricultural activities and/or technology that results in the environmentally beneficial outcomes such as the reduction of energy, water use and/or greenhouse gas emissions during operations. Examples include: the promotion or implementation of sustainable agricultural techniques and practices including no-till farming systems, hydroponics, soil recovery and restoration of degraded pasture, agricultural practices that use no synthetic fertilisers and pesticides, crop rotation for carbon sequestration, slurry management, hedgerow planting and nitrogen accumulation purpose o Certified Sustainable Farming (e.g. LEAF Marque certified) o Regenerative farming as evidenced by certification and/or recognised principles and practices (e.g. minimal soil disturbance, maintaining living ground cover, implementing livestock in arable systems) o Assets supporting sustainable agriculture which are compliant with organic farming legislation. These must be certified by 'approved control bodies' appointed by the UK Government such as Organic Farmers & Growers, Organic Food Federation, Soil Association Certification, Biodynamic Association Certification, Quality Welsh Food Certification and OF&G Scotland[17] o Wildlife habitat management and restoration of degraded lands, including improving and restoring soil health o The protection of nature through the collection and use of agricultural waste and/or the management of wastewater and pollution o Sourcing and growing of alternative protein crops to replace non-certified soy for animal feed o Research and development of lab grown proteins and alternative proteins o Activities which enhance carbon sequestration and long-term storage of carbon from the atmosphere. o Finance contributing to practices or projects eligible for environmentally based subsidies or grants (e.g. ELMs, Countryside Stewardship, Higher Level Stewardship and devolved nations equivalents) o Technology investments that achieve increased yields or reduced waste, with a reduction or no increase to CO_2e inputs o Investments in improved drainage systems for agricultural land which is linked to wider soil health improvement planning	• Systems powered by fossil fuel including diesel • Investment into machinery powered by any type of fossil fuel • Manufacture or distribution of inorganic, synthetic fertilisers, pesticides or herbicides	**SDG 12** Responsible consumption and production **SDG 13** Climate action **SDG 15** Life on land

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

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Environmentally sustainable management of living natural resources and land use continued			
Sustainable fisheries	• Investment in activities which support Sustainable fisheries with certification under the Marine Stewardship Council (MSC), the Aquaculture Stewardship Council (ASC) or the Global G.A.P. Standards		**SDG 12** Responsible consumption and production **SDG 14** Life below water
Sustainable forestry	Investment in activities which support: • Afforestation of previously non-forested land in compliance with Sustainable Forest Management requirements. This includes using tree species that are suitable for the specific site • Rehabilitation and restoration of forests, including reforestation and natural forest regeneration • Forestry systems and agroforestry systems targeted at smallholder farmers with sustainable forestry management plan in place • Sustainable forest management certified as meeting the UK Forestry Standard or UK Woodland Assurance Standard (UKWAS) • Sustainable certified Forest products produced in compliance with UK Woodland Assurance Standard (UKWAS), Forest Stewardship Council (FSC), Programme for Endorsement of Forest Certification (PEFC) or Woodland Carbon Code, or equivalent certifications or audits	• Conversion from prime agricultural land (Grade 1 and Grade 2 per Agricultural Land Classification System) and conversion from a natural landscape • Monocrop plantations that do not produce a certified sustainable end product • Any forestry activities primarily related to production of biomass for power generation, unless deemed acceptable under the 'Energy generation, distribution and storage' category	**SDG 15** Life on land

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

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Climate change adaptation			
Climate change adaptation	Activities which support climate change adaptation, including nature-based solutions. Each activity must substantially reduce climate physical risks that are material to that activity. For example: • Expenditures relating to the refurbishment or maintenance of existing infrastructure, which increases resilience against the physical impacts of climate change, e.g. extreme weather events such as floods, wind and wildfires • Data-driven climate monitoring solutions, such as climate observation, early warning systems for natural disasters and monitoring greenhouse gas emissions • Development and/or use of Information Communication Technology solutions for collecting, transmitting, storing and using data and analytics to facilitate GHG emission reductions	• The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks[18] of other people, of nature, of cultural heritage, of assets and of other economic activities; are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-based solutions or rely on blue or green infrastructure	**SDG 13** Climate action
Terrestrial and aquatic biodiversity conservation			
Conservation, restoration and protection of land and aquatic environments and biodiversity	• Activities dedicated to supporting conservation and protection of terrestrial, freshwater and marine environments • Activities dedicated to the restoration of terrestrial, freshwater and marine environments • Examples of terrestrial, freshwater and marine environments include: o Salt marshes o Seagrasses o Peatlands o Forests o Woodlands o Rainforests o Grasslands o Coral reefs • Activities which enhance carbon sequestration and long-term storage of carbon from the atmosphere • Activities which eliminate, minimise, reduce and or mitigate the impacts of invasive alien species on biodiversity and ecosystem services	• Activities which cause significant harm to any other environments	**SDG 6** Clean water and sanitation **SDG 14** Life below water **SDG 15** Life on land

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

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Circular economy adapted products, production technologies and processes and/or certified eco-efficient products			
Circular economy adapted products, production technologies and processes	• Production of resource-efficient or low carbon products that are RSB[19]-certified (in case of bio-based materials) • Manufacture of aluminium through secondary aluminium recycling • Facilities which are used to increase the lifespan of existing products (e.g. repair, refurbish, recondition or predictive maintenance) • Sustainable and responsible sourcing of different raw materials and goods from certified sustainable sources (which may include Round Table for Responsible Soy, ISCC Europe, US SSAP)	• Equipment and technologies designed or intended for businesses or projects focused on fossil fuel production, distribution or power generation • Facilities increasing the lifespan of existing products must not require pre-processing to put products back together to their original use • Where goods cannot be traced back to source, e.g. mass balance or credits	**SDG 11** Sustainable cities and communities **SDG 12** Responsible consumption and production
Pollution, prevention and control			
Emissions management	• Activities which contribute to reduction of air pollutant emissions, for example NO_x and SO_x	• Projects that are applied in fossil fuel production and/or distribution and/or unabated use (without CCUS)	**SDG 13** Climate action
Carbon Capture and Storage	• Carbon capture applied to electricity generation (with a life-cycle emissions intensity lower than 100g CO_2e/kWh), to industrial facilities, for production of blue hydrogen or for CO_2 removal, for example through direct air capture • Transportation captured CO_2 to a designated permanent storage location[20]. Storage infrastructure for captured CO_2[21]	• Facilities where CCUS is only applied to part of the facility, or where the share of emissions captured and permanently stored is below 90 per cent • Carbon Capture that is applied in fossil fuel production or to the use of coal or fossil fuel gas for electricity generation	**SDG 13** Climate action

19 Round table on Sustainable Biomaterials.
20 Provided transportation to injection point does not lead to CO_2 leakages above 0.5 per cent of the mass of CO_2 transported. Appropriate leak detection systems are applied and monitoring with a report verified by an independent third party.
21 CO_2 must be permanently stored, with appropriate leakage prevention and monitoring in place. Exploration and storage must comply with UK/national government standards for geological storage of CO_2.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Pollution, prevention and control continued			
Sustainable waste management	• Infrastructure to support more sustainable waste management, disposal, reuse and recycling of waste. This includes, but is not limited to: o Substituting virgin materials with recycled materials o Increasing the capacity utilisation of products or assets that encourages reuse of materials and therefore reduces waste, such as those encouraged by a sharing economy o Installation of recycling facilities • Facilities processing bio-waste (e.g. biodegradable food and garden waste) to produce compost for agriculture, municipal or individual customer applications • Activities involving the treatment of bio-waste (anaerobic digestion and composting) with the resulting production of biogas and digestate, as listed in 'Energy Generation, Distribution and Storage'	• Chemical recycling of plastic • Any expenditures related to fossil fuel • In dedicated bio-waste treatment plants, the share of food and feed crops used as input feedstock cannot be more than 10 per cent of the input feedstock[22]	**SDG 12** Responsible consumption and production
Clean transportation			
Vehicles	Development, sale, leasing, operation and upgrade of low carbon transportation for people (excluding freight), which includes: • Vehicles (including electric motorbikes) and Commercial Vans with zero direct (tailpipe) CO_2 emissions, or plug-in hybrids (PHEV) until 31 December 2024 (with only zero direct CO_2 emissions thereafter) • Trains and passenger coaches with zero direct (tailpipe) CO_2 emissions, or trains with zero direct (tailpipe) CO_2 emission when operated on a track with the necessary infrastructure, but use a conventional engine where such infrastructure is not available (bi-mode) • Buses and coaches: Any zero-direct (tailpipe) CO_2 emission vehicles[23] or biogas buses which meet Renewable Transport Fuel Obligation (RTFO) or European Union Renewable Energy Directive certification • Sea and coastal passenger water transport[24]: o With zero-direct (tailpipe) emission vehicles	• Efficiency improvements involving conventional fossil fuel combustion engines • Vehicles dedicated to transportation of fossil fuel	**SDG 11** Sustainable cities and communities

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

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Clean transportation continued			
Infrastructure	• Infrastructure for personal mobility and cycle logistics (e.g. footpaths and bike paths) • Infrastructure dedicated to the operation of vehicles with zero tailpipe CO_2 emissions: e.g. electric charging points and hydrogen fuelling stations or biogas which meets Renewable Transport Fuel Obligation (RTFO) or Renewable Energy Directive (RED)	• Infrastructure used for the transportation or storage of fossil fuel • Development and improvement of transport links to airports • New construction and existing road infrastructure retrofits, including roads, road bridges and parking facilities	**SDG 9** Industry, innovation and infrastructure **SDG 11** Sustainable cities and communities
Freight Transport	Development, sale, leasing, operation and upgrade of low carbon transportation for freight, which includes: Rail freight: • Trains and wagons with zero direct (tailpipe) CO_2 emissions • Trains and wagons with zero direct (tailpipe) CO_2 emission when operated on a track with the necessary infrastructure, but use a conventional engine where such infrastructure is not available (bi-mode) Road freight: • Vehicles with zero direct (tailpipe) CO_2 emissions • Low-emission[25] heavy duty vehicles[26] where it is not technologically and economically feasible to comply with zero direct (tailpipe) CO_2 emissions	• Efficiency improvements involving conventional fossil fuel combustion engines • Vehicles dedicated to transportation of fossil fuel	**SDG 9** Industry, innovation and infrastructure **SDG 11** Sustainable cities and communities

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

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

ELIGIBLE SOCIAL CATEGORIES

Lloyds has also identified social activities that aim to address or mitigate a specific social issue, and/or seek to achieve positive social outcomes, for a target population(s). For each eligible social activity, Lloyds has set out the applicable Eligible Social Criteria and the exclusionary criteria under the Framework – the alignment to the UN SDG is also illustrated.

Target populations which have been identified by Lloyds include, but are not limited to:

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

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Affordable housing			
Affordable Housing	• Eligible assets to UK accredited or registered Housing Associations, which are not-for-profit organisations supporting the provision of affordable housing in the UK and contribute to enhanced access for low-income residents or marginalised communities • The Housing Associations and not-for-profit organisations offer social rented, affordable rented and intermediate housing to specified eligible households whose needs are not met by the private market • To be classified as an Eligible Social Activity, the Housing Associations must be involved in the construction, management, and/or refurbishment of properties for at least one of the following: o Social Rent[27] o Affordable Rent[28] o Shared Ownership[29] o Supported Housing[30] • In addition to lending directly to UK accredited and registered Housing Associations, Eligible Social Activities also include mortgages to individuals/ families purchasing their home under government-backed schemes: o Shared Ownership, with an annual household income less than the national median[31] o Right to Buy[32] schemes • Social benefit and target population: Supports universal access to decent housing which ultimately benefits individuals or families needing sheltered housing, individuals or families on low income and/or on income allowances or benefits, and homeless individuals		**SDG 1** No poverty **SDG 10** Reduced inequalities **SDG 11** Sustainable cities and communities

27 Social Rent – Involves homes provided by local authorities and housing associations. Rent levels are around 50-60 per cent of market rents for the local area and rent increases are limited by Government. This usually results in a more secure, long-term tenancy than private renting.

28 A scheme open to a broader range of household incomes than social rent and involves homes provided by local authorities and Housing Associations with controls that ensure rents charged are no high than 80 per cent of local market rent. This scheme is also sometimes known as Intermediate Rent.

29 A scheme which allows applicants to purchase a share of a property (between 25 per cent and 75 per cent) from a Housing Association, paying an affordable rent on the part still owned by the Housing Association. An individual's eligibility to access shared ownership housing is subject to certain criteria and conditions including household income cap. Shared ownership is capped at market value of the property.

30 A scheme where housing, support and sometimes care services are provided to help people to live as independently as possible in the community. Examples include care, nursing, and sheltered housing.

31 The median household income in the UK at FYE 2023 was £34,500, based on estimates from the Office for National Statistics (ONS) Household Finances Survey (HFS).

32 A scheme designed to allow long standing tenants of Housing Association-owned property to purchase the property at a discount to the market.

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

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Access to essential services			
Healthcare	• Operation, development, expansion or acquisition of any buildings or facilities at any hospital, clinic, mental health facility or healthcare facility, including community-based healthcare that improves access to safe and affordable healthcare to the target population • Healthcare facilities that improve access to services affiliated with the UK National Health Service • Non-profit healthcare services and facilities that enhance access to care homes and nursing provision • Research and development of new medicines, treatments, vaccines or health equipment to provide access to medicines that will be affordably priced or subsidised to the target population • Development, provision or distribution of medical equipment that improves access to safe and affordable healthcare to the target population • Provision of affordably priced or subsidised medicines on the World Health Organisation (WHO) essential medicines list to target populations • Infrastructure, equipment, training or financing to address a public health crisis emergency response (including Covid-19)	• Private healthcare facilities	**SDG 3** Good health and wellbeing
Education	• Lending to publicly funded universities in the UK, where UK students can access Tuition Fee Loans and means-tested Maintenance Loans (or benefit from free tuition fees for Scottish undergraduates), ensuring access and affordability for higher education • Projects to train educational professionals, for example sponsorship or apprenticeship programmes, in skills which are currently/expected to be in demand in the UK	• Private Schools	**SDG 4** Quality education

Access to financing	• Financing/advisory services for micro, small, and medium-sized enterprises (MSMEs) including:
	  o Community banking programmes that offer wholesale financing to community lenders in economically disadvantaged regions
	• MSMEs located in the most socioeconomically disadvantaged areas in the UK, defined as areas ranking in the bottom 20th percentile in terms of the UK Indices of Deprivation
	  o Financing to business classified as underserved, defined by those who do not receive the same resources as their equivalent others in the market, typically including those from low-income backgrounds, racial/ethnic groups and first-generation migrants[33]
		• Payday loans
		• High interest Monetary Financial Institution (MFI) loans
			SDG 8
			Decent work and economic growth

33 Underserved definition taken from 'Sustainability and the Future of Work and Entrepreneurship for the Underserved' by Aisha Ismail, Sadia Farooq and JoAnn D.Rolle 2022.

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Employment generation			
Employment generation	• Capability building and services aimed at improving the employability and upskilling a target population to achieve productive employment, and decent work for occupations, that are currently/expected to be in shortage in the UK • Support micro, small and medium sized enterprises that qualify on the basis of credible job creation, entrepreneurship and innovation programmes for target populations and which will provide real economy impacts for the region in which they operate • Creation of specialist economic infrastructure to support the growth of high-quality, high-productivity jobs that contribute to economic growth to include, but not be limited to: Science parks (including inter alia, Innovation hubs, Knowledge Quarters), Advanced Manufacturing facilities, Media Assets, University facilities, Regional infrastructure facilities (e.g. Maritime, Freeports, Transport etc.)	• Access to financing: o Payday loans o High interest MFI loans • Businesses or projects focused on fossil fuel production, distribution or power generation • Specialist infrastructure in investment areas beyond the UK's 12 key priority zones	**SDG 8** Decent work and economic growth
Food security and sustainable food systems			
Food and water security	• The manufacture, logistics, provision and distribution of nutrition (food and potable water) that address malnutrition and food security for a target population	• Promotion of agricultural products that are forbidden under WHO Class I & II hazardous products • Projects involving livestock for industrial-scale meat processors or producers	**SDG 2** Zero hunger
Sustainable food systems	• Infrastructure to reduce food losses along the production and supply lines, including efficient farming practices, adequate storage facilities, and improved food conservation and connectivity	• Promotion of agricultural products that are forbidden under WHO Class I & II hazardous products • Projects involving livestock for industrial-scale meat processors or producers	**SDG 2** Zero hunger
Socioeconomic advancement and empowerment			
Socioeconomic advancement and empowerment	• Financing to organisations that enable socioeconomic advancement and empowerment to ethic minority background and female led businesses		**SDG 5** Gender equality **SDG 10** Reduced inequalities

Sub-theme	Description of Activities and Criteria	Exclusions	SDG Alignment
Socioeconomic advancement and empowerment continued			
Community Development Financial Institutions	• Financial support to small regional community banks who lend to MSMEs, including ethnic minority and female led entrepreneurs in deprived regions	• Religious and political institutions	**SDG 17** Partnerships for the goals
Financing Charities & Non-Profit Institutions			
Financing Registered Charities	• Financial support for the activities of registered charities, and other philanthropic organisations with the specific purpose of supporting programmes aimed at benefiting vulnerable populations including beneficiaries living below the poverty line, people with disabilities, migrants/displaced persons, unemployed, the homeless and access to housing, victims of financial and domestic abuse, victims of modern slavery and human trafficking and groups as a result of natural disasters and/or have the specific purpose to advance the green/social activities defined in this Framework	• Religious and political institutions • Private Schools	**SDG 17** Partnerships for the goals

Schedule

02

Use of Proceeds products – Lloyds-specific Sustainable financing framework Eligibility Assessment Protocol

1 Use of Proceeds

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

1 Use of Proceeds continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1b	**Green and Social Project Categories** continued			**Eligible Social Categories:** • Affordable Housing • Affordable Basic Infrastructure • Access to Essential Services • Employment Generation • Food Security and Sustainable Food Systems • Socioeconomic Advancement and Empowerment • Financing Charities & Non-Profit Institutions DNV confirms that the eligible activities fall within the definition of Eligible Categories, as outlined in the Framework and Schedule 1 of this opinion, and that they are consistent with the GLPs and the SLPs. We can conclude the Framework appropriately describes the proposed utilisation of proceeds, and that the specificities of each Use of Proceeds loan product will need to be further assessed on an individual basis.
1c	**Green and Social benefits**	All designated sustainability project categories should provide clear environmental and/or social benefits, which, where feasible, will be quantified or assessed by the borrower.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework • Lloyds Sustainability Report 2023 • Lloyds Banking Group Net Zero Activity Update 2022 • Lloyds Banking Group External Sector Statements	Lloyds has provided descriptions for the types of Eligible Green and/or Social activities that it intends to offer its Use of Proceeds products to, under the Framework. Lloyds has also prioritised activities that will help support progress towards delivering on its sustainability objectives and contribute positively to the UN SDGs. The Group has mapped the alignment to the Goals for each Eligible Green and Social Category, as shown in Schedule 1. Where possible, the Eligible Green and Social Categories and activities under each, are aligned to market-leading standards and taxonomies, such as the EU Taxonomy Technical Screening Criteria (TSC) or the Climate Bonds Initiative Taxonomy (CBI). The Use of Proceeds eligibility criteria outlined in Schedule 1 complements wider sustainability targets set by Lloyds with respect to Environmental and Social Sustainability. DNV can also confirm that Lloyds has committed to excluding activities from the Framework which do not align with Lloyds' core goal of increasing environmental and social sustainability. These exclusions are detailed in Schedule 1 and complemented by Lloyds' External Sector Statements. The evidence reviewed gives us the opinion that future lending products to be issued under Framework will deliver clear environmental and/or social benefits.

1 Use of Proceeds continued

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

2 Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	**Investment-decision process**	The borrower of a Green/Social Loan should outline the decision-making process it follows to determine the eligibility of projects using the proceeds.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework	DNV can confirm Lloyds has specified the eligibility criteria for each type of green and social activity, as detailed in the Green and Social Eligibility Criteria tables of its Framework. Lloyds has **separate business units** which will carry out their own process for evaluation and selection, as follows: • The Group Consumer Lending business unit – which oversees Homes and Motor lending • The Business & Commercial Banking (BCB) business unit – which oversees lending to clients with a turnover of £100 million or lower • The Corporate and Institutional Banking (CIB) business unit – which oversees lending to clients with a turnover of £100 million or higher **The Consumer Lending business unit:** For Consumer Lending, the Group uses source data to verify the type of activity and its alignment with the Eligibility Criteria, such as recognisable data metrics relevant to the sector. The loan will be classified as 'eligible' under the Framework, if the use of loan proceeds aligns with the eligibility criteria as outlined in the Framework and Schedule 1 of this opinion, for the following Eligible Green Categories: • Vehicles (i.e. as per applicable Clean Transportation criteria) for Motor lending • Residential Buildings (i.e. as per applicable Green Buildings criteria) for Home lending Due to the typically lower value of the loans provided by the Group Consumer Lending business unit, Lloyds will use source data to validate the type of activity and its alignment with the applicable eligibility criteria as per the Framework. This process is supported by the Group's Three Lines of Defence model.

2 Process for Project Selection and Evaluation continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	**Investment-decision process** continued			These three lines of defence, are as follows: **First Line:** Business lines and functional areas serve as the first line and have the primary responsibility for decision-making, as well as the identification, measuring, monitoring and controlling of the application to the Framework, to sustain adequate capabilities, mechanisms and tools, and to operate within the Group's risk appetite limits as established and approved by the Board. **Second Line:** Risk Division. This is a centralised function and is headed by the Chief Risk Officer. They will engage with the first line and challenge the effectiveness of risk decisions and ensuring mitigating actions are appropriate. It also plays a crucial role in driving the adoption of a strategic approach to risk management that aligns with the risk appetite and Enterprise Risk Management Framework (ERMF), as approved by the Board. The risk management assessment includes, for instance: • Ensuring the integration of effective risk management processes • Transparent and focused risk monitoring and reporting • Offering expert risk advice and guidance to the Board, executives, and management on strategic matters and future trends, including upcoming regulatory changes • Fostering a constructive dialogue with the first line by providing advice, developing common methodologies, enhancing understanding, offering education and training, and creating new risk management tools **Third Line:** Group internal audit. This group provides independent assurance to the Audit Committee and Board through the provision of reviews and engagement with Committees and Executive management. Group Internal Audit reports to the Group Audit Committee, as well as the Board or Audit Committees of the sub-groups, subsidiaries and legal entities, where relevant.

2 Process for Project Selection and Evaluation continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	**Investment-decision process** continued			**The Business & Commercial Banking (BCB) business unit:** Lloyds has confirmed that, due to the small size of the loans as provided by the BCB business unit, Lloyds will use source data to validate the type of activity and its alignment with the applicable eligibility criteria as per the Framework. This process is also supported by the Group's Three Lines of Defence model. **The Corporate and Institutional Banking (CIB) business unit:** The CIB business units, which typically oversee larger transactions, will expect clients to display three requirements as reasonably required by the Group, and as set out in the GLPs and the SLPs: • Communicate the environmental and/or social sustainability objectives of the respective green and/or social activity • The borrower is expected to display how the activities align with the Use of Proceeds section of the Framework • Provide further details on the processes the borrower uses to identify and manage any perceived, actual, or potential environmental and/or social risks related to the relevant transactions Lloyds has confirmed that, in order to be eligible for Green and/or Social Use of Proceeds financing, all activities must be clearly aligned to the requirements as set out in the Use of Proceeds section of the Framework. This includes the Green and Social Eligibility Criteria tables and taking into account the exclusions that the Group has outlined. DNV further notes Lloyds' commitment to ensuring that, should a 'Declassification Event' (as defined in the financing agreement) occur, in relation to a Use of Proceeds product, then the loan product will be treated as a conventional loan with any margin discount ceasing to apply. In addition, the facility will not be marketed as green/sustainable/social. For the avoidance of doubt, declassification does not constitute an event of default under the relevant loan. DNV concludes that the activities to be financed by future issuances will be appropriately evaluated and selected as outlined within Lloyds' Framework, and that they meet the requirements under the GLPs and the SLPs.

2 Process for Project Selection and Evaluation continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2b	**Issuer's environmental, social and governance framework**	In addition to the information disclosed by a borrower on its Loan process, criteria and assurances, Loan investors may also take into consideration the quality of the issuer's overall framework and performance regarding sustainability.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework • Lloyds Sustainability Report 2023 • Lloyds Banking Group Net Zero Activity Update 2022 • Lloyds Banking Group H1 2023 results	DNV has reviewed evidence showing that the Framework forms part of a wider sustainability strategy, which includes policies, targets and plans, pertaining to the environmental and social performance of the financing. Lloyds, as a signatory of the Net-Zero Banking Alliance (NZBA), has committed to Net-Zero on their banking activity by 2050. The Group has also set an interim target of halving their emissions by 2030 on a 2019 baseline. The Group is committed to having a positive social and environmental impact and its efforts can be widely observed. For instance, in the first half of 2023, £4 billion of funding was provided for electric and plug-in hybrid vehicles, and the Group delivered £6 billion for green mortgages to help drive growth. Lloyds has also provided £15.8 billion to corporate and institutional customers to support their transition to a low carbon economy, and £21.7 billion through Scottish Widows to fund climate-awareness strategies. Wider efforts can also be observed in the social housing sector, seeing the Group having provided £2.7 billion to drive impact, and it has also provided over £12 billion to first-time home buyers. A core component of Lloyds' sustainability strategy is the advancement of social finance. The Group has, for instance, targeted an increase in charitable donations, and pledge a commitment to support charities. The Group has also introduced their 'cost-of-living' hub, which serves to advise customers on personal finance. The evidence reviewed gives DNV the opinion that the Framework is in line with Lloyds' wider approach to managing environmental and social sustainability governance.

3 Management of Proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	**Tracking procedure**	The net proceeds of a Loan should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the borrower in an appropriate manner and attested to by a formal internal process that will be linked to the borrower's lending and investment operations for Sustainability Projects.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework	Lloyds has confirmed that each borrower to which the Framework applies, will be required to hold the proceeds of the underlying loan in a sub-account, or to otherwise track those funds in its internal systems. This will be managed practically through the Lloyd's client relationships. The tracking of the proceeds by Lloyds, will be dependent on the nature, sector, and size of the borrower, and managed by the following teams: • For Asset Finance deals, Lloyds will send the proceeds from the loan product to the supplier directly • For Term Loans, Lloyds will rely on the Terms and Conditions of the loan, i.e. the Facility Letter, which confirms the use of proceeds • In the case of Clean Growth Financing Initiative (CGFI) loans, Lloyds will rely on the Terms and Conditions of the loan, i.e. the Facility Letter or the side letter to the client, which confirms the use of proceeds Based on the evidence reviewed, it is DNV's opinion that Lloyds is committed to appropriately tracking the crediting and use of proceeds from its Use of Proceeds products.
3b	**Tracking procedure**	So long as the Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green or social investments or loan disbursements made during that period.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework	Lloyds has confirmed that, in line with the Group's internal monitoring processes for Use of Proceeds financing, business teams will work with their clients to monitor loan proceeds. This will vary depending on the nature, sector and size of the borrower. For instance: • For real estate transactions, loan drawdowns will be against development milestones or building certification • Project finance transactions will have project accounts and will be subject to project delivery milestones • CIB lending will typically have capital expenditure or investment milestones documented within the facility agreement or side letter • BCB lending will have a more ad-hoc approach to management of proceeds, whereby proceeds will be tracked through Lloyds' regular relationship management contacts with clients Having reviewed the evidence, DNV concludes that Lloyds has an appropriate procedure to track periodical disbursements from the Use of Proceeds products, depending on the nature, sector and size of the borrower, and this is in line with the GLPs and the SLPs.
3c	**Temporary holdings**	Pending such investments or disbursements to eligible Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework	On the basis of the evidence reviewed, it is DNV's understanding that the management of unallocated proceeds will not be the responsibility of the borrower. As such, this requirement is not applicable to the Use of Proceeds products offered by Lloyds to its clients under the Framework.

4 Reporting

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

Schedule

03

Sustainable business financing instruments – Lloyds-specific Sustainable financing framework Eligibility Assessment Protocol

1 Use of Proceeds

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

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	**Types of Financing Framework**	Green/Social Loans are defined as any type of debt instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible projects. Green/Social Loans must align with the four components of the GLPs or SLPs.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework	Lloyds has confirmed that the type of loans for Sustainable Business Financing are typically general corporate purpose loans, although they can also be a combination of Use of Proceeds and Sustainability-linked financing. In the latter case, Lloyds commits to the loan being in line with the Group's requirement for sustainability-linked financing as per the Framework. For general corporate purposes loans that qualify as Sustainable Business Financing, DNV notes that 90 per cent or more of the client's revenue are to be generated from Eligible Green and/or Social activities, as per the eligibility criteria set out in the Framework and in Schedule 1 of this opinion. Lloyds further confirms that none of the client's revenue can be generated from activities listed in the exclusions list within the Framework, or within Lloyds' External Sector Statements. On the basis of the evidence reviewed, it is DNV's opinion that the Sustainable Business Financing loans which are for general corporate purposes can be considered as aligning with the definition of green loans within the GLPs, and social loans as defined within the SLPs.
1b	**Green and Social Project Categories**	The cornerstone of a Green/Social Loan is the utilisation of the proceeds which should be appropriately described in the legal documentation for the security.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework	Lloyds has confirmed that it will only tag client transactions as Sustainable Business Financing provided that: • 90 per cent or more of the client's revenue are generated from Eligible Green and/or Social activities, as per the eligibility criteria set out in the Framework and in Schedule 1 of this opinion • None of the client's revenue is generated from activities listed in the exclusions list within the Framework, or within Lloyds' External Sector Statements As an exception, general-purpose lending can qualify as Sustainable Business Financing outside the 90 per cent revenue test if it is justified by a strong and objective rationale in the following three cases, as specified by Lloyds: • UK registered social housing providers – These providers operate within boundaries which ensure they can only spend on relevant activities which target more vulnerable populations • UK universities which are publicly funded (private universities are excluded) – where tuition and means-tested maintenance loans are available to UK students • NHS GP surgeries – GP surgeries providing public sector healthcare

1 Use of Proceeds continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1b	**Green and Social Project Categories** continued			In each case for the above, Lloyds must be able to demonstrate how the loan aligns with the purpose of the Framework as does not contravene any of the exclusions criteria set out in the Framework or in the External sector statements. Where the 90 per cent plus threshold is being used, client's revenue needs to be generated from Eligible Green and/or Social Categories as listed below and as per the eligibility criteria in the Framework: **Eligible Green Categories:** • Energy Generation, Transmission, Distribution, and Storage (focusing on Renewable and Low Carbon Energy) • Built Environment (focusing on Green Buildings) • Energy Efficiency • Environmentally Sustainable Management of Living Natural Resources and Land Use • Sustainable Water and Wastewater Management • Climate Change Adaptation • Terrestrial and Aquatic Biodiversity Conservation • Circular Economy-Adapted Products, Production Technologies and Processes and/or Certified Eco-Efficient Products • Pollution Prevention and Control • Clean Transportation

1 Use of Proceeds continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1b	**Green and Social Project Categories** continued			**Eligible Social Categories:** • Affordable Housing • Affordable Basic Infrastructure • Access to Essential Services • Employment Generation • Food Security and Sustainable Food Systems • Socioeconomic Advancement and Empowerment • Financing Charities & Non-Profit Institutions DNV confirms that the eligible activities and the relevant target populations fall within the definition of Eligible Categories as outlined in the Framework and Schedule 1 of this opinion, and they are consistent with the GLPs and the SLPs.

1 Use of Proceeds continued

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1c	**Green and Social benefits**	All designated sustainability project categories should provide clear environmental and/or social benefits, which, where feasible, will be quantified or assessed by the borrower.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework • Lloyds Environmental Sustainability Report 2023 • Lloyds Banking Group Net Zero Activity Update 2022 • Lloyds Banking Group External Sector Statements	Lloyds has provided a description of the types of Eligible Green and/or Social activities for which a Sustainable Business Financing client needs to align with, on at least a 90 per cent revenue basis. Where possible, the Eligible Categories and activities are to be aligned to market-leading standards and taxonomies, such as the EU Taxonomy for Sustainable Activities or Climate Bonds Initiative (CBI) Taxonomy. Lloyds has also confirmed that none of the client's revenue should be generated from activities listed in the exclusions list within the Framework, or within Lloyds' External Sector Statements. The evidence reviewed gives us the opinion that transactions tagged as Sustainable Business Financing under the Framework, will deliver clear environmental and/or social benefits.
1d	**Target Populations**	All designated Social Loans defined under the Use of Proceeds should be dedicated to vulnerable target populations.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework	DNV can confirm Lloyds' commitment that, where a Sustainable Business Financing client aligns with the Social Eligibility Criteria within the Framework, at least one vulnerable target population would benefit. Schedule 1 provides a non-exhaustive list of target populations for social finance.

2 Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	**Investment-decision process**	The borrower of a Green/Social Loan should outline the decision-making process it follows to determine the eligibility of projects using the proceeds	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework	Lloyds has confirmed that the Group will review a client's revenues against the green and social activities within the Framework to determine if 90 per cent or more of the client's revenues align with the Green and/or Social Eligibility Criteria. DNV notes Lloyds' confirmation that this will be done practically by reviewing the client's annual reporting and accounts, together with any additional information on client revenues that the Group has through its client relationship. Lloyds has further confirmed that the Group will regularly review continuing achievement of the Sustainable Business Financing thresholds through its ongoing relationship management with the client. DNV concludes that Lloyds has an appropriate evaluation and selection process to label a client transaction as Sustainable Business Financing, and that this is in line with the GLPs and the SLPs.
2b	**Issuer's environmental, social and governance framework**	In addition to the information disclosed by a borrower on its Loan process, criteria and assurances, Loan investors may also take into consideration the quality of the issuer's overall framework and performance regarding sustainability.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework • Lloyds Sustainability Report 2023. • Lloyds Banking Group Net Zero Activity Update 2022	DNV has reviewed evidence showing that the Framework forms part of a wider sustainability strategy which includes policies, targets and plans pertaining to the environmental and social performance of finance. Lloyds, as a signatory of the Net-Zero Banking Alliance (NZBA) has committed to Net-Zero on their banking activity by 2050, with an interim target of halving their emissions by 2030 on a 2019 baseline. A core component of Lloyds' strategy is the advancement of social finance with Lloyds targeting an increase in charitable donations and support for charities. The Group has also introduced their 'cost-of-living' hub which serves to advise customers on personal finance. The evidence reviewed gives DNV the opinion that the Framework is in line with Lloyds' wider approach to managing environmental and social sustainability governance in line with the GLPs and SLPs.

3 Management of proceeds

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

4 Reporting

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

Schedule

04

Sustainability-Linked Loan Eligibility Assessment Protocol

1 Selection of Key Performance Indicators (KPIs)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	**KPI – material and core to sustainability and business strategy**	The borrower's sustainability performance is measured using sustainability KPIs that can be external or internal. The KPIs should be material to the issuer's core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector and be under management's control. The KPI should be of high strategic significance to the borrower's current and/or future operations. It is recommended that borrowers communicate clearly to investors the rationale and process according to which the KPIs have been selected and how the KPIs fit into their sustainability strategy.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework	Lloyds has committed to working with the borrower to select one or more sustainability KPIs, subject to the Group's approval and dependent on the nature of the business. Lloyds has further confirmed that the KPIs must be relevant, core and material to the borrower's overall business and of high strategic significance to the borrower's current and/or future operations and address relevant ESG challenges of the applicable industry sector. Lloyds has confirmed that the Green Assets Eligibility Forum (GAEF) is responsible for reviewing and interpreting guidance to confirm eligibility for all Sustainability-Linked Loans (SLLs) and ESG-linked/KPI loans against the SLLP. GAEF consists of members across LBG including coverage teams, product and finance teams (First Line of Defence), credit risk (Second Line of Defence) and Group's Sustainability Teams. GAEF will meet on a weekly basis if required and follow-up through email if required. GAEF will provide a recommendation on all SLLs, which is the determining factor for whether a loan is classified as an SLL under the Framework. The evidence reviewed gives DNV the opinion that Lloyds is committed to ensuring the selected KPIs are material and core to the client's sustainability and business strategy, in line with the requirements of the SLLP.

1 Selection of Key Performance Indicators (KPIs) continued

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

2 Calibration of Sustainability Performance Targets (SPTs)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	**Target Setting – Meaningful**	The SPTs should be ambitious, realistic, and meaningful to the borrower's business and be consistent with the issuers' overall strategic sustainability/ESG strategy.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework	Lloyds has committed that the SPTs set by the client will be ambitious and consistent with the borrower's overall sustainability and business strategy. Annual SPTs will be established for each KPI throughout the duration of the loan, and any exceptions from this must be supported by a clear explanation of why it is deemed inappropriate, considering some or all of the below factors as applicable: • How the SPTs go beyond the 'Business as Usual' scenario and are ambitious and meaningful • A clear roadmap as to how the business will achieve SPTs through highlighting the key levers/actions that are expected to drive the borrower's performance towards the SPTs as well as their expected impact, in quantitative terms wherever possible • Any other key factors beyond the client's direct control that may affect the achievement of the SPTs On the basis of the evidence reviewed, it is DNV's opinion that Lloyds is committed to ensuring that the SPTs set by the client are ambitious, realistic, meaningful to the client's business and consistent with the client's overall strategic sustainability/ESG strategy as applicable, in the SLLP.
2b	**Target Setting – Meaningful**	SPTs should represent a material improvement in the respective KPIs and be beyond a 'Business as Usual' trajectory; where possible be compared to a benchmark or an external reference and be determined on a predefined timeline, set before (or concurrently with) the issuance of the loan.	In addition to reviewing the evidence below, we had several detailed discussions with Lloyds. Evidence reviewed: • Lloyds Sustainable Financing Framework • Product – SLL – SLL GAEF Template • SFF Governance and Controls	Lloyds has committed that all the SPTs set must represent a material improvement in the respective KPIs beyond a 'Business as Usual' trajectory. All SPTs set by the borrower/issuer will be reviewed by GAEF against the SLLP, considering some or all of the below factors, as applicable: • Objective and valid reference point for the SPT, e.g. using science-based scenarios such as the Science Based Target initiative, 'Paris' alignment[34], or other official pathway • Where relevant, the verified baseline or science-based reference point selected for improvement, including the rationale for the baseline or reference point to be used • SPTs should be determined on a predefined timeline, set before (or concurrently with) the issuance of the loan as outlined in the SLLP Lloyds has further confirmed that clients will need to set annual SPTs for each KPI where reasonably practical. The evidence reviewed gives DNV the opinion that Lloyds will ensure the SPTs set by the client represent material improvement in the KPIs beyond a 'Business as Usual' trajectory, and that they are compared to a benchmark or external reference and determined on a predefined timeline, where applicable, as per the SLLP.

34 Paris Aligned Investment Initiative – IIGCC.

2 Calibration of Sustainability Performance Targets (SPTs) continued

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

2 Calibration of Sustainability Performance Targets (SPTs) continued

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

3 Financial Characteristics

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

4 Reporting commitments

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

5 Verification

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