

# Lloyds Banking Group Emerald Standard: A Guide for Suppliers



## Foreword

### **Welcome to the Emerald Standard guide, designed to help suppliers navigate the Lloyds Banking Group Emerald Standard.**

As a Group, we aim to Help Britain Prosper by creating a more sustainable and inclusive future for people and businesses. We want our suppliers to share in our purpose and ensure that they operate in an ethical, sustainable, inclusive, and accessible manner.

Central to this is the Emerald Standard, which aligns how we source and consume goods and services through our supply chain with our wider sustainability ambitions.

It does this by setting out clear expectations for our suppliers to work towards and maintain.

This guide explains the Emerald Standard, why it's so important, and what you can expect from it as one of our suppliers. It then provides detail around the four key requirements of the standard, as well as key contacts, and where to find out more. We hope you find it useful.

We are always keen to hear about how we can work better together. So, if there is anything that we can improve, then please tell us.

We are on a journey to become a more purpose-driven business and are taking steps to embed our purpose at the core of everything we do. We believe we can make a real difference together and work towards Helping Britain Prosper.

I look forward to working with you on this journey.

**George Booth**  
**Chief Procurement Officer**



# What is the purpose of this guide?

**This guide provides an overview of the Lloyds Banking Group Emerald Standard.**

**It explains:**

- What it is and why it is important.
- What suppliers should expect of the standard.
- What are the requirements of the Emerald Standard Assessment.
- Where to find out more information.

Further information is available from your Lloyds Banking Group (LBG) Supplier Manager or LBG's Emerald Standard team directly at [LBGSustainableSupplyChain@lloydsbanking.com](mailto:LBGSustainableSupplyChain@lloydsbanking.com)



# The Emerald Standard: in a nutshell

**We recognise there are environmental and social impacts associated with Lloyds Banking Group's demand for goods and services and therefore it is important that we work collaboratively with our suppliers in a way that is aligned with our purpose and values.**

We launched the Lloyds Banking Group Emerald Standard to drive targeted, collaborative, and deeper engagement with our suppliers on ESG topics, and to support our ambition to reduce supply chain emissions by 50% by 2030 on our path to net zero by 2050. We expect our suppliers to align to the requirements of the Standard.

## **The Emerald Standard**

- Aims to set clear, unambiguous, and straightforward sustainability and ESG expectations for our suppliers.
- Draws on two existing globally recognised disclosure platforms: CDP and EcoVadis.
- Will develop and change over time to align with best practice and our evolving supply chain requirements.
- Looks to drive meaningful engagement and collaboration with our suppliers, leveraging our collective expertise to progress towards a more sustainable future.



# Supplier perspective: what to expect

**At this time, we engage directly only our key suppliers to align to the requirements of the Emerald Standard, while we invite all our suppliers to adopt its key principles.**

We define key suppliers as those which represent circa 80% of our supply chain spend and emissions according to our annual disclosure of supply chain emissions.

The number of key suppliers directly engaged in the Emerald Standard cohort will likely increase each year as once a supplier is identified as a key supplier, they will remain in the Emerald Standard cohort unless their contract ends.

## **Engagement:**

**We will engage with suppliers in the Emerald Standard cohort through different channels and at different times of the year, for example:**

- Correspondence from our Chief Procurement Officer to suppliers' CEOs/senior leaders.
- Annual Supplier Sustainability Summit.
- Annual Emerald Standard engagement meetings.
- Day-to-day engagement via our Supplier Managers.
- Ad-hoc workshops, roundtables, and dedicated engagement.

More information will be provided during the year. It is important that suppliers involve the most appropriate people within their own organisation for the different types of events, both in terms of seniority and area of expertise.



## Assessment:

Every year, we will assess each key supplier's alignment with the Emerald Standard criteria. We will use information from key suppliers' CDP and EcoVadis responses, output from engagement sessions and other publicly available information (if we have been made aware of this by the supplier):

- CDP information will only be included in the assessment if the key supplier's CDP disclosure is completed by the CDP scoring deadline (usually in September).
- EcoVadis scorecard information will be taken at the end of November.

Any other information that you consider relevant for the assessment should be sent to **LBGSustainableSupplyChain@lloydsbanking.com** by the end of November.

After the Emerald Standard assessments have been completed, each key supplier will receive their Emerald Standard scorecard. The assessment will be used to shape our sustainability engagement priorities with the supplier the following year.

Please note that we would only re-issue a key supplier scorecard during the year if:

- We identify an error in the scorecard.
- The CDP scores are released after the cut-off date, and a supplier has now met all the Emerald Standard requirements following their latest score. Equally, we will inform any key suppliers who are no longer meeting all requirements based on their latest CDP score.

## High level timeline:

### March/April

Key supplier registers/confirms company details on CDP Platform.

### April

Letter from our Chief Procurement Officer to key suppliers' CEOs/senior leaders.

### April to November

Key supplier engagement meetings.

### June

CDP disclosure platform opens.

### July

Annual Key supplier Sustainability Summit.

### September

CDP Deadline for key supplier disclosures (to allow scoring).

### End of November

Deadline for Key supplier to share relevant additional information for their Emerald Standard assessment including latest EcoVadis scorecard.

### December

Annual Emerald Standard assessments are completed.

### January

Emerald Standard scorecard shared with key suppliers



# The Emerald Standard:

The Emerald Standard is divided into quadrants, with each contributing to overall sustainability and ESG maturity. The quadrants and associated requirements are highlighted below:



Supplier calculates and discloses their **GHG emissions** and approach to tackling climate change.

**Requirements:**

- A public CDP Climate Change response
- Achieve at least a B score
- Disclosure of scope 1 emissions
- Disclosure of scope 2 emissions
- Disclosure of material scope 3 emissions

Supplier declares a public commitment to **net zero by 2050**, with interim targets to be achieved by 2030 or sooner.

**Requirements:**

- A public ambition to achieve Net Zero
- A target year of 2050 or sooner, with interim targets for 2030, or sooner
- A net zero target that covers scope 1, 2 and material scope 3 emissions



Working together to reduce



**LBG** emissions by 50% by 2030



Supplier discloses an **ESG Scorecard via EcoVadis**.

**Requirements:**

- An up-to-date EcoVadis scorecard
- Achieve at least an overall score of 59

Supplier has **science-aligned targets** to support emission reductions.

**Requirements:**

- Publicly available science-aligned target
- Targets are aligned to 1.5°C pathway
- Targets cover scope 1, 2 and material scope 3 emissions



Detailed criteria are included on the following pages for each requirement >>>

# 1. GHG emissions calculation and disclosure



## To meet the requirements of this quadrant, the supplier must have:

- Submitted a publicly available response to CDP's climate change questionnaire within the current reporting year.
- Achieved at least a B score from CDP for their response.
- Disclosed as part of their CDP response scope 1, 2 and material scope 3 emissions adhering to the requirements of the GHG Corporate Accounting and Reporting Standard.

Disclosure should cover:

- Scope 2 emissions using location-based and market-based measurement.
- Complete scope 3 upstream inventory, or categories 1-8. Covering gross scope 3 emissions for the organisation emission sources, as set out as the minimum boundary of each scope 3 category per the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
- Any material scope 3 downstream emissions.

Suppliers will only meet this requirement if they have disclosed at least their material upstream categories 1-8 and have provided an explanation in their response for those deemed not material/not relevant. Those categories that remain undisclosed, and without a clear explanation as to why they are not material, will not meet this requirement.

Please note that as we complete the formal Emerald Standard assessment at the end of November, there may be a scenario where CDP responses for the year are available, but the CDP scores are not yet published. In that case, we will use the most up to date information both in terms of CDP score (previous year) and CDP

response. We will then re-issue an up-to-date scorecard to all the suppliers that, following the release of the current year CDP score, have either met all the requirements of the Emerald Standard, or are no longer meeting all the requirements.

Suppliers that don't disclose via CDP on an annual basis, can still meet the requirements of this quadrant if they:

- Have submitted a public CDP response and have achieved at least a B score in the previous reporting year.
- Provide us directly with publicly disclosed data for the latest reporting year, as long as the dataset still meets the scope and boundaries' requirement listed above. The supplier is responsible for providing the data in the format and timeframe required by LBG, including copies of or links to the externally disclosed documents. Further information about this option will be discussed during the dedicated supplier's engagement session during the year.

## Why are these requirements important to Lloyds Banking Group?

We rely on suppliers' publicly disclosed data to improve the accuracy of our supply chain carbon emissions disclosure and capture carbon reductions driven by our suppliers' own transition plans. We are on a journey and want to move away from estimating our supply chain emissions using a spend based approach, to supplier specific product and service related emissions. Further details on how we calculate our carbon emissions can be found in our [Basis of Reporting](#).

Suppliers have the opportunity in their CDP response to disclose emissions which result from the products and services delivered to LBG. Although this granular detail is not a requirement of the Emerald Standard we encourage suppliers to allocate emissions in this way, enabling Lloyds Banking Group to use more accurate data in our emission calculations. Please reach out if you would like to discuss this with our team.



## 2. Net Zero Commitment



### To meet the requirements of this quadrant, the supplier must have:

- Publicly announced an ambition to achieve Net Zero carbon emissions by 2050, or sooner.
- Set a public intermediate target to achieve a reduction in carbon emissions by 2030, or sooner.
- A Net Zero commitment that covers scope 1, 2 and material scope 3 emissions as set out in quadrant 1 (CDP Climate Change Survey Response).

For net zero commitments with the target year being 2030 or earlier, intermediate targets are not required.

All targets must be publicly announced. If the targets are not detailed in the CDP submission, the supplier should make us aware of the details directly, and ahead of the end of November to form part of the Emerald Standard assessment.

It is important that, if used, carbon credits are deployed as part of science-aligned decarbonisation strategies and are not used as an alternative for abatement. We acknowledge organisations may choose to utilise carbon credits to mitigate remaining residual emissions or also to support emissions mitigation activities beyond their value chain to improve the scale and pace of the transition.

### Why are these requirements important to Lloyds Banking Group?

We have an ambition to reduce supply chain emissions by 50% by 2030 on our path to net zero by 2050. To achieve this, we need our suppliers to work towards Net Zero, covering their scope 1, 2 and material 3 emissions.



# 3. Science-aligned emission reduction target



## To meet the requirements of this quadrant, a supplier must have:

- A publicly available science-aligned target, which is clearly defined as such (i.e. via CDP).
- A target that supports the decarbonisation of the business activities in line with limiting global warming to 1.5°C.
- A target that includes at least scope 1, 2 and material scope 3 emissions as defined below.

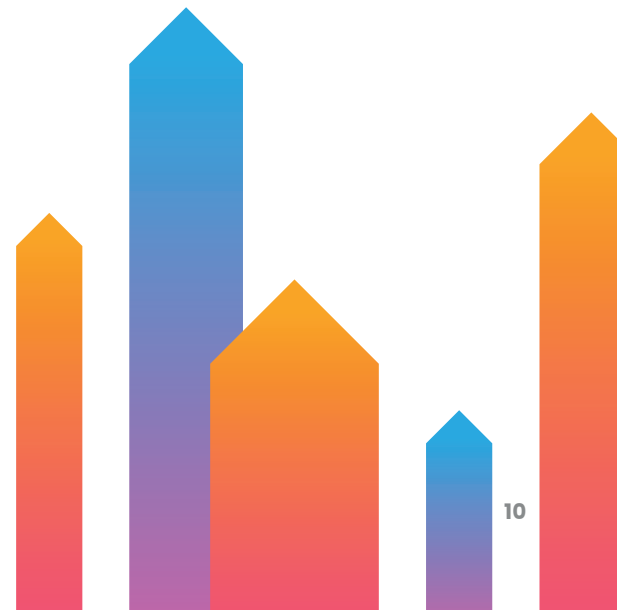
The science-aligned emission targets must cover company-wide scope 1 and scope 2 emissions as defined by the GHG Protocol Corporate Standard. We also require a company to have a scope 3 science aligned target if their scope 3 emissions are 40% or more of total scope 1, 2 and 3 emissions.

If that is the case, the scope 3 target must cover at least two-thirds (67%) of the firm's total scope 3 emissions.

We encourage all targets to be set in absolute terms, though acknowledge that this is not always possible. In some cases, and a supplier may use an intensity target, providing it is still science-aligned then this would be acceptable. Note: we still expect a supplier to disclose absolute emissions performance.

### Why are these requirements important to Lloyds Banking Group?

While Net Zero is the destination, the journey is equally important. Having a science-aligned target provides confidence on the pace and boundaries of the supplier's carbon reduction plans.



# 4. ESG Scorecard



The EcoVadis sustainability assessment is a paid service to assess a company's material sustainability impacts based on documented evidence. The EcoVadis score (0-100) reflects the quality of a company's sustainability management system at the time of the assessment through its policies, actions, and results. The independent assessment is conducted by ESG experts and provides detailed feedback and action plans to support on improving ESG performance, which includes Environment, Labour & Human Rights, Ethics, and Sustainable Procurement.

## To meet the requirements of this quadrant, a supplier must have:

- Been assessed and shared their scorecard via the EcoVadis platform. This should be current, i.e. not expired, or have an expiry date less than three months past the date of assessment.
- Achieved an overall score of 59 or more.

## Why are these requirements important to Lloyds Banking Group?

We recognise that there is more beyond carbon emissions in the journey towards a sustainable future. EcoVadis is a globally recognised and widely adopted assessment platform that rates a company on broader ESG performance.

A supplier's latest scorecard at the end of November will be used for the annual Emerald Standard assessment. Please allow appropriate time for each stage:



**Register Online**  
Approx **5-10 days**



**Questionnaire**  
Approx **6 weeks**



**Expert Analysis**  
Approx **8 weeks**



**Results**  
Valid for **1 year**



### **What is Lloyds Banking Group's biggest challenge in reducing supply chain related emissions?**

For us, data accuracy is essential. We use a spendbased approach in our calculation of supply chain emissions. We are on a journey to move towards using actual suppliers emissions data at service or product level. You can help us accelerating this journey by disclosing your emissions and allocating them to the service and produce your organisation provide to Lloyds Banking Group.

### **I would like to get involved but my organisation doesn't have the expertise, where do I start?**

The Emerald Standard is a collaborative effort, please engage with us at any point via [LBGSustainableSupplyChain@lloydsbanking.com](mailto:LBGSustainableSupplyChain@lloydsbanking.com) or your existing contacts, and share your challenges and opportunities. We want to leverage collective knowledge to support suppliers on their journey.

### **Our organisation has already achieved all the requirements, do we need to do anything else?**

The Emerald Standard requirements will evolve over time, and it is important that you remain engaged and aware. Also, we will reach out to those organisations that have already achieved all the requirements, to seek their help in helping other suppliers on their journey.

### **Does the Emerald Standard apply to all of LBG's suppliers?**

While we engage directly with our key suppliers to align to the requirements of the Emerald Standard, we invite all our suppliers to adopt its principles. We define key suppliers as those which represent 80% of our supply chain spend and emissions according to our annual disclosure of supply chain emissions.

### **Where can I find out more information?**

You can find more details in our Sustainability Report, or by contacting us directly via [LBGSustainableSupplyChain@lloydsbanking.com](mailto:LBGSustainableSupplyChain@lloydsbanking.com)

Sustainability Report [www.lloydsbankinggroup.com/investors/esg-information.html](http://www.lloydsbankinggroup.com/investors/esg-information.html)

# Frequently asked questions

