



UN GLOBAL COMPACT COMMUNICATION ON PROGRESS

Lloyds Banking Group
2020

About Lloyds Banking Group

We are a UK financial services provider with around 25 million customers and a presence in nearly every community. Lloyds Banking Group plc has a number of subsidiaries, a full list of which can be found in our Annual Report.

The Group has a unique customer proposition enabling us to serve the financial needs of our customers in one place. We operate multiple brands through three core divisions: Retail, Commercial Banking, and Insurance and Wealth. The Group's main business activities include retail and commercial banking, general insurance and long-term savings, provided through multiple well-recognised brands including Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows.

We employ approximately 61,500 employees (on a full-time equivalent basis), of whom 98 per cent work in the UK. Our active supply base comprises approximately 3,000 suppliers, the majority of which are in professional services sectors such as management consultancy, legal, HR, IT, marketing and communication and located in the UK, other European countries, North America and Asia. Our shares are quoted on the London and New York stock exchanges and we are one of the largest companies in the FTSE 100 index.

What's inside this document

Statement from the chair	03
Our Commitment to the UNGC Principles	04
Human Rights	06
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights
Principle 2	Make sure they are not complicit human rights abuse
Labour	09
Principle 3	Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining
Principle 4	The elimination of all forms of forced and compulsory labour
Principle 5	The effective abolition of child labour
Principle 6	The elimination of discrimination in respect of employment and occupation
Environment	14
Principle 7	Businesses should support a precautionary approach to environmental challenges
Principle 8	Undertake initiatives to promote greater environmental responsibility
Principle 9	Encourage the development and diffusion of environmentally friendly technologies
Anti-Corruption	19
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery

Statement from the Chair



Our unique position at the heart of the UK economy allows us to Help Britain Recover and play our part in returning the UK to prosperity, as part of our wider Group purpose of Helping Britain Prosper.

Given the Group's position, as part of our Strategic Review 2021, we have identified areas where we can make a transformational societal impact, and which are also deeply integrated into the strategic development of our business.

I look forward to sharing our progress in 2022.

Yours sincerely,

Robin Budenberg
Chair, Lloyds Banking Group



Our Commitment to the UNGC Principles

At Lloyds Banking Group, being a responsible business means operating ethically, sustainably and inclusively, meeting our legal and regulatory requirements, and always considering the impact on our employees, the community, society and the environment. Through our societal commitments published externally and wider ESG and responsible business activities, we are actively supporting the UN's sustainable development agenda, and supporting the UK in working towards the UN Sustainable Development Goals (SDGs).

Our purpose is to **Help Britain Prosper**. This is central to our strategy and underpins everything we do. By incorporating the Ten Principles of the UN Global Compact into our strategies, policies and procedures, the Group is only upholding our responsibilities as a corporate to our colleagues and society, but we are also setting the stage for the long-term sustainability of the Group.

As the task of rebuilding the economy and society begins, we are playing our part to support the country's recovery. Having supported over a million households and hundreds of thousands of businesses in 2020 and as we continue to do so during the ongoing global pandemic, our purpose of Helping Britain Prosper very much remains. We are committed to supporting a recovery for a sustainable and inclusive society. Our near-term focus of **Helping Britain Recover** allows the Group to focus our business strategy and to harness our expertise within the Group to make an impactful contribution to addressing some of the issues highlighted in the SDGs.

Through Helping Britain Recover and wider responsible business activities, we will be actively supporting the UN's sustainable development agenda, using our key skills to focus our resources on making an impactful benefit to the UK and working towards the realisation of the UN SDGs.

In addition to the UNGC Principles, the Group is a signatory to a sector-specific Principles for Responsible Banking which were launched by the United Nations Environment Programme Finance Initiative (UNEP FI) in September 2019. Lloyds Banking Group is a founding signatory of the Principles, joining banks from around the world to build a more sustainable future.

Governance and Accountability

Our internal governance and controls, comprising numerous policies and standards, aim to treat all stakeholders fairly while minimising risk. Our Board-level Responsible Business Committee (RBC) oversees the Group's performance as a responsible business and delivery of our sustainability strategy. Both the Board and RBC are supported by the Group Executive Committee, which is in turn supported by a dedicated Sustainability Committee.

Purpose of the RBC Committee:

- ➔ Oversight of and support for Lloyds Banking Group's strategy and plans for delivering the organisations' aspirations to be a trusted, sustainable and inclusive responsible business aligned to our purpose of Helping Britain Prosper
- ➔ Challenge on those activities which impact on the Group's behaviour and reputation as a trusted, sustainable and inclusive responsible business
- ➔ Recommend to the Board for approval the Helping Britain Recover commitments

► Our Commitment to the UNGC Principles

Helping Britain Recover

We recognise that the focus of the Group's purpose must evolve in response to the current environment and changing customer needs and expectations.

With the evolution of our strategy, we will further embed our purpose across all of our activities. This will ensure we contribute to creating an environmentally sustainable and inclusive future for the UK and by doing so build a successful and sustainable business.

The COVID-19 pandemic will have lasting social and economic effects on the UK. Its impact has been felt by everyone, whether through financial hardship, reduced choices, mental distress or personal loss.

Our focus will therefore be to Help Britain Recover, and we are committed to working with others in five areas where we can make the most difference.

Help rebuild households' financial health and wellbeing

We will help rebuild households' financial health and wellbeing



We remain committed to supporting our customers to become financially resilient and to plan and save for the future. We will provide practical support, and flexibility where possible, to help our customers facing financial difficulty to get back on track and help as many customers as we can to stay in their own home.

In 2021, we will:

- ➔ Have over **6,500 colleagues** trained to support customers to build their financial resilience
- ➔ Maintain our commitment to supporting mental health, and become accredited as **Mental Health Accessible** for Halifax and Bank of Scotland, in addition to the existing Lloyds Bank accreditation
- ➔ Partner with **independent debt advice organisations** to ensure customers have access to practical support

Support businesses to recover, adapt and grow

We will support businesses to recover, adapt and grow



We will be by the side of businesses as they recover, supporting UK business to adapt and grow, and create quality jobs across the regions of the UK.

In 2021, we will:

- ➔ Develop **appropriate recovery plans** for our customers, supported by **1,100 business specialists** in communities across Britain
- ➔ Support at least **75,000 UK businesses to start up** in 2021
- ➔ Help at least **185,000 small businesses boost their digital capability** through our regional academies, partnerships and digital mentoring

Expand availability of affordable and quality homes

We will expand the availability of affordable and quality homes



As the UK recovers from the pandemic, we aspire to a UK in which all households have access to stable, affordable and safe homes in places they want to live. We are committed to broadening access to home ownership and exploring opportunities to increase our support to the UK rental sector.

In 2021, we will:

- ➔ Provide **£10 billion of lending to help people to buy their first home in 2021**, and **lead a national conversation** on how more households can access the housing market
- ➔ Provide **£1.5 billion of new funding support, including £500 million in ESG-linked funding**, in support of the social housing sector
- ➔ Support the creation of **national sustainability standards** for housebuilding finance and assess the **energy retrofit requirements of over 200,000 homes** in the social housing sector

Accelerate the transition to a low-carbon economy

We will help accelerate the transition to a low-carbon economy



With recovery comes an opportunity to build a greener future, creating new businesses and jobs. We want to play our part in supporting the transition to net zero and are committed to working with customers, government and the market to help reduce the carbon emissions we finance by more than 50 per cent by 2030 on the path to net zero by 2050 or sooner.

In 2021, we will:

- ➔ Expand the funding available under our **green finance initiatives from £3 billion to £5 billion**, to support businesses to transition
- ➔ Launch a new goal to ensure **our own operations are net zero by 2030**
- ➔ Become the **first major pensions and insurance provider** to target halving the carbon footprint of all our c.£170bn investments by 2030 on our path to net zero by 2050
- ➔ Introduce a **flagship fossil fuel-free fund** to support green growth, allowing pension savers to choose to invest in UK companies pursuing a positive environmental impact

Build an inclusive society and organisation

We will help build an inclusive society through our financial services offering and by creating an organisation that reflects the society we serve



We believe that the economic and social recovery should be one that's truly inclusive and involves communities across the UK's nations and regions.

In 2021, we will:

- ➔ Set new aspirations for a **leadership team that reflects the society we serve**, of 50 per cent women, 3 per cent Black and 13 per cent Black, Asian and Minority Ethnic colleagues in senior roles by 2025
- ➔ Maintain our **£25.5 million** contribution to our independent charitable foundations, with the Lloyds Bank Foundation for England and Wales focusing **25 per cent** of its support on Black, Asian and Minority Ethnic led charities
- ➔ Support regional regeneration, including launching the **Regional Housing Growth Initiative**, helping small- and medium-sized housebuilders create more homes in the North of England, the Midlands and the regions of Scotland
- ➔ Support **financial inclusion** by providing banking for groups of people experiencing homelessness, financial abuse or victims of modern slavery, and supporting the prisoner banking programme



We engage with a range of stakeholders, industry-led bodies and collaborative memberships on topics, progress in our sector and impacts of our business in support of the achievement of the SDGs. We are members of the UK Finance Sustainability Committee, TCFD and Sustainable Finance working groups, and the UNEP FI Principles for Responsible Banking.

Human Rights

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2

Make sure they are not complicit in human rights abuses.

SDG supported by these principles:



Achieve gender equality and empower all women and girls



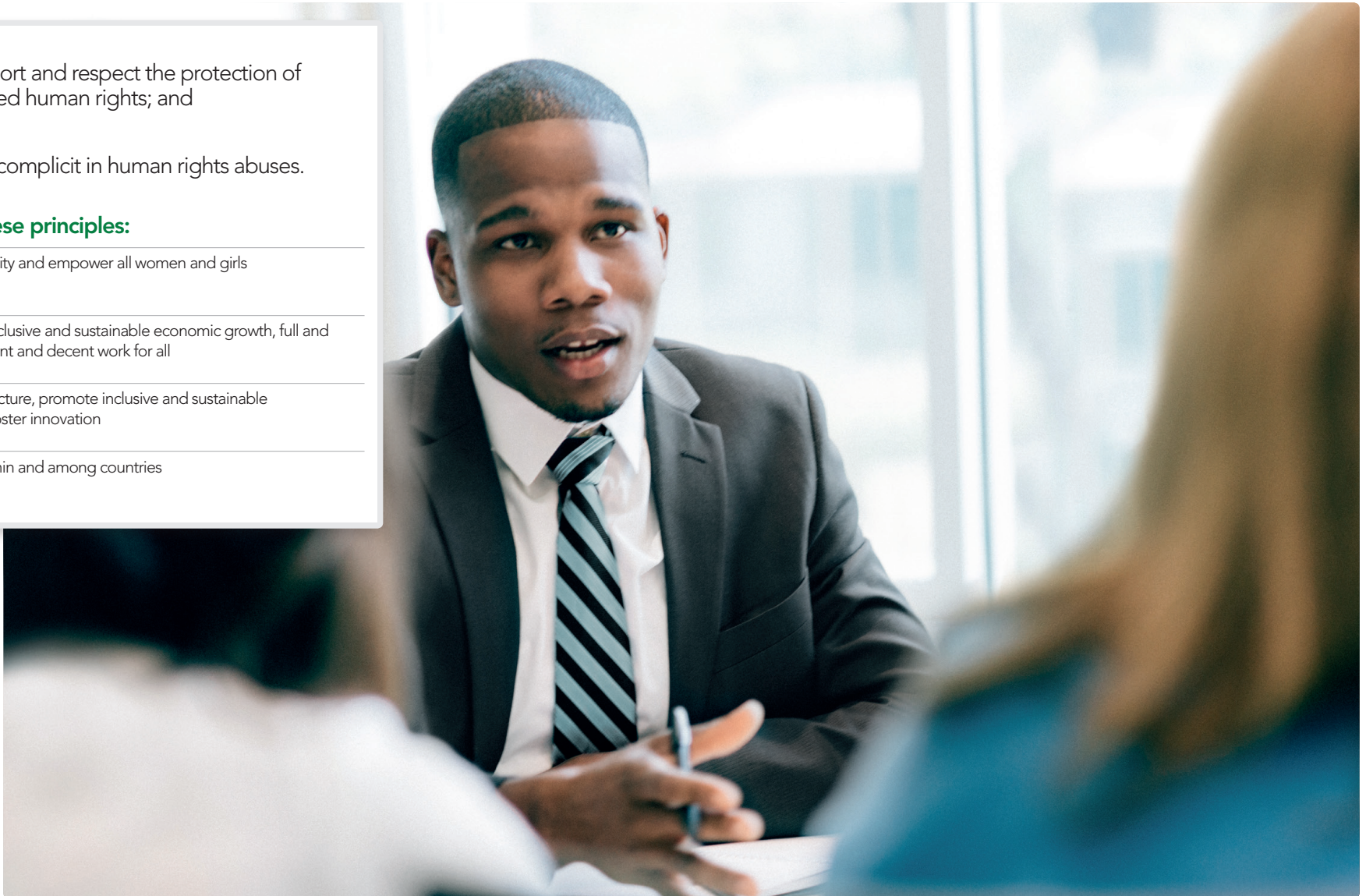
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation



Reduce inequality within and among countries



► Human Rights

Our approach to human rights

A responsible, ethical, inclusive and sustainable approach to doing business is central to our strategy and our purpose to Help Britain Prosper. We believe in the importance of doing business in ways that value and respect human rights – of our colleagues, customers, business partners and everyone that is affected by our business – and have a set of policies and procedures to translate this belief into action.

We adhere to the UN Declaration of Human Rights as well as the rules and regulations of each country in which we operate. We are guided by the International Bill of Human Rights as well as the International Labour Organisation's (ILO) Core Labour Standards and its Tripartite Declaration of Principles. We recognise the Organisation for Economic Co-Operation and Development (OECD) Guidelines for Multinational Enterprises and the UN's Guiding Principles on Business and Human Rights.

We made significant updates to our Human Rights Policy Statement in 2019 and have again reviewed it in 2020. It has been informed by a business-wide materiality assessment undertaken in 2019 which looked for issues that may affect the business and considered expectations from stakeholders, including investors, academics, industry and community leaders. From this assessment, we identified the risks that needed to be managed and opportunities for us to improve human rights outcomes for rights holders. This statement captures how we have embedded human rights considerations within our business both in our own operations and our impacts on communities around us.

In 2015, we welcomed the UK Modern Slavery Act and continue to support this legislation by doing business responsibly, taking meaningful steps to ensure that workers' fundamental rights and freedoms are respected. We do not tolerate slavery, trafficking or forced labour in any part of our business or supply chain and embrace the transparency and expectation of continuous progress that this important Act brings. You can read more about our approach in our 2020 Modern Slavery and Human Trafficking Statement.

We understand that human rights encompass more than just the individual and take into account social, ethical and environmental issues in our investment, lending and service operations. We are signatories to The Equator Principles and the UN Principles for Responsible Investment, and our corporate governance structure ensures that colleagues are supported to work responsibly and manage risk effectively. This structure includes our Board and our Board-level Responsible Business Committee and extends to every part of our business through our Group Executive Committee and Executive-level Committees.

We have a number of Group policies and procedures in place that reflect our commitment to operating responsibly and ethically as a business and as individual employees, such as our Sourcing, Speak Up and Anti-Bribery Policies. These Group policies, associated procedures, and mandatory training are reviewed annually as part of the governance of the Group's Policy and Risk Management Frameworks. This annual review reflects our efforts to continually improve our responsible business governance approach, and to further embed human rights into our business. Each business area is required to set its strategy in line with our risk appetite and our policy requirements.

The coronavirus pandemic (COVID-19) has posed a challenge for all of society and created a range of human rights risks, from securing health care to labour exploitation. This has been a test for all our stakeholders, but by applying our robust policies and adapting our responses, we have sought to take steps to make a positive contribution to the lives and livelihoods of a number of our customers.

Our colleagues

Our Values and Behaviours are the guiding principles for how we work. Our Code of Ethics and Responsibility (the Code) provides an overarching framework to ensure the highest possible standards of behaviour and underpins our approach to being a responsible, ethical, sustainable and inclusive business for customers, colleagues, communities, the environment and our external stakeholders. The Code encourages colleagues to report, through our whistleblowing service, Speak Up, or to their line manager, any actions that are unsafe, unethical, unlawful, or not in line with Group policies.

All employees are required to review the Code and complete Speak Up training every year as part of the mandatory training curriculum, to understand their responsibilities and adhere to them every day.

Our suppliers

Responsible sourcing is integral to the way we do business. It is important that we have the right framework to operate responsibly and we follow a due diligence process before selecting suppliers which evaluates them against key criteria, including their human rights programmes.

We regularly review our Code of Supplier Responsibility to embed responsible business and sustainability further into our business and we commit to working collaboratively with our suppliers on developing our approach to responsible sourcing and sustainable procurement.

Our active supply base comprises approximately 3,000 suppliers. We take a risk-based approach and those in potential high risk service sectors have a supplier manager assigned. We contractually require our c.1,100 managed UK suppliers to self-attest their compliance to the Group's policy expectations on an annual basis. Via the Financial Services Supplier Qualification System (FSQS) we ask suppliers to confirm they have read, understood and comply with the Code of Supplier Responsibility, and ask for evidence of processes and procedures for assessing and complying with relevant human rights legislation. Specifically, respect human rights both in their own workforce and those in their supply chain and comply with all relevant legislation, regulations and directives, including the Modern Slavery Act and its reporting obligations in the countries and communities where they operate.

We encourage suppliers to speak up if they are concerned about any actions or decisions that contravene the standards set out in the Code of Supplier Responsibility and we offer our suppliers access to our confidential Speak Up Line where they and their workers can report any incidents. An independent supplier manages the line and we have worked with them to ensure that, if instances of modern slavery or other human rights abuses are reported, they are identified and effectively investigated.

The Speak Up Third Party Policy has been designed to assist in managing any risk that suppliers' employees are prevented from reporting any concerns about risk, malpractice or suspected wrongdoing.

► Human Rights

Our customers

We know that the finance sector has an important role to play in influencing better human rights outcomes, and we take this into account in our investment, lending and service operations.

In 2020 we worked to further integrate human rights considerations into our relationships with clients. Our external sector statements detail our expectations for corporate customers and specify that we expect them to respect human rights, both of their own workforce and in their supply chain. We require them to comply with applicable international conventions, sanctions and embargoes, legislation, and licensing requirements whilst showing a clear commitment to robust Environmental, Social and Governance (ESG) risk management.

We recognise our responsibility to help address the economic, social and environmental challenges that the UK faces and remain fully committed to Helping Britain Prosper and supporting environmental sustainability. As a result, Lloyds Banking Group has identified selected sectors and defined specific risk appetites related to our financing activities within sectors that have the potential to negatively impact the environment and society, creating the need for the Group to have clear guidance in terms of risk appetite for selected activities.

Lloyds Banking Group is committed to supporting access to mainstream banking for those who may be excluded, often due to the lack of availability of standard identification documents, such as those who have been experiencing homeless, victims of modern slavery, those fleeing domestic abuse or ex-offenders.

We have worked with a number of local charities to ensure accounts can be opened for people across the UK by developing flexible processes.

The Group has launched the Domestic and Economic Abuse Team to support victims and survivors of financial abuse, offering support to help them regain control of their finances. This is an important next step in both raising awareness and supporting our customers. The service provides assistance to customers on various financial issues including how to manage joint accounts, options for opening new accounts, and advice on dealing with debts such as loans or mortgages. We have partnered and worked continuously with the charities SafeLives, Surviving Economic Abuse and Tender to help our the charities to provide the right support at the right time, and have actively brought their insight and expertise into several internally run Group-wide seminars. Through these partnerships, we have trained our colleagues to support customers experiencing domestic and economic abuse, and have engaged with a number of local charities to refer victims and survivors into our Domestic and Economic Abuse Team for support with their finances.

Together, these actions demonstrate the Group's commitment to doing business responsibly and to explaining the meaningful steps taken to ensure that fundamental rights and freedoms are respected. For information on the more specific labour standards that we comply with, please refer to the Labour section in this report.

OUTCOMES

What the Group has delivered:

- ➊ Special billing arrangements were put in place between March and August for offshore supplier staff who were not able to safely work from home or on site in order to minimise the impact on supplier staff in geographies where furlough or equivalent schemes were not operating
- ➋ During 2020 additional guidance has been added to Commercial Banking internal credit policies for sectors where the prevalence of low paid, temporary and migrant workers exposes the sector to risks of modern slavery. This guidance specifies the due diligence that relationship managers are required to conduct
- ➌ In 2020 Lloyds Banking Group assisted 11 survivors of modern slavery and human trafficking (and a total of 61 since 2016)
- ➍ Over one hundred Sourcing Managers participated in new modern slavery training, as a result 98% of respondents agree, or strongly agree, that they understand the issue, its relevance for their role and how they are expected to respond, compared to 73% of respondents before the training was delivered
- ➎ At Lloyds Banking Group, we believe employers have a role to play in supporting victims and survivors of domestic and economic abuse. In 2020 we launched an Emergency Assistance Programme for colleagues, covering the cost of accommodation, food and one-to-one support for colleagues and their children in an emergency situation
- ➏ We established a Domestic and Economic Abuse Team, conducted training for our colleagues on how to support customers facing these circumstances through strategic partnerships, and supported charities assisting victims

What the Group has achieved:

- ➐ No reported incidents of human rights breaches, slavery or trafficking from our colleagues and our suppliers in 2020
- ➑ Conduct Training completed by more than 95 per cent of colleagues in 2020, to confirm they have read and understand their responsibilities under the Code of Ethics and Responsibility
- ➒ Groupwide Fighting Fraud and Financial Crime training module which is mandatory for all UK colleagues completed by around 96 per cent of colleagues in 2020. This training includes a specific modern slavery case study and the 'red flags' associated with modern slavery and human trafficking that will assist colleagues in detecting and reporting suspicious activity

➕ Find out more

[Code of Supplier Responsibility](#)

[Supplier Third-Party Policies](#)

[Sector Statements](#)

[Human Rights Policy](#)

[Modern Slavery and Human Trafficking Statement](#)

[Code of Ethics and Responsibility](#)

Labour

Principle 3

Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining;

Principle 4

The elimination of all forms of forced and compulsory labour;

Principle 5

The effective abolition of child labour; and

Principle 6

The elimination of discrimination in respect of employment and occupation.

SDG supported by these principles:



Ensure healthy lives and promote well – being for all at all ages



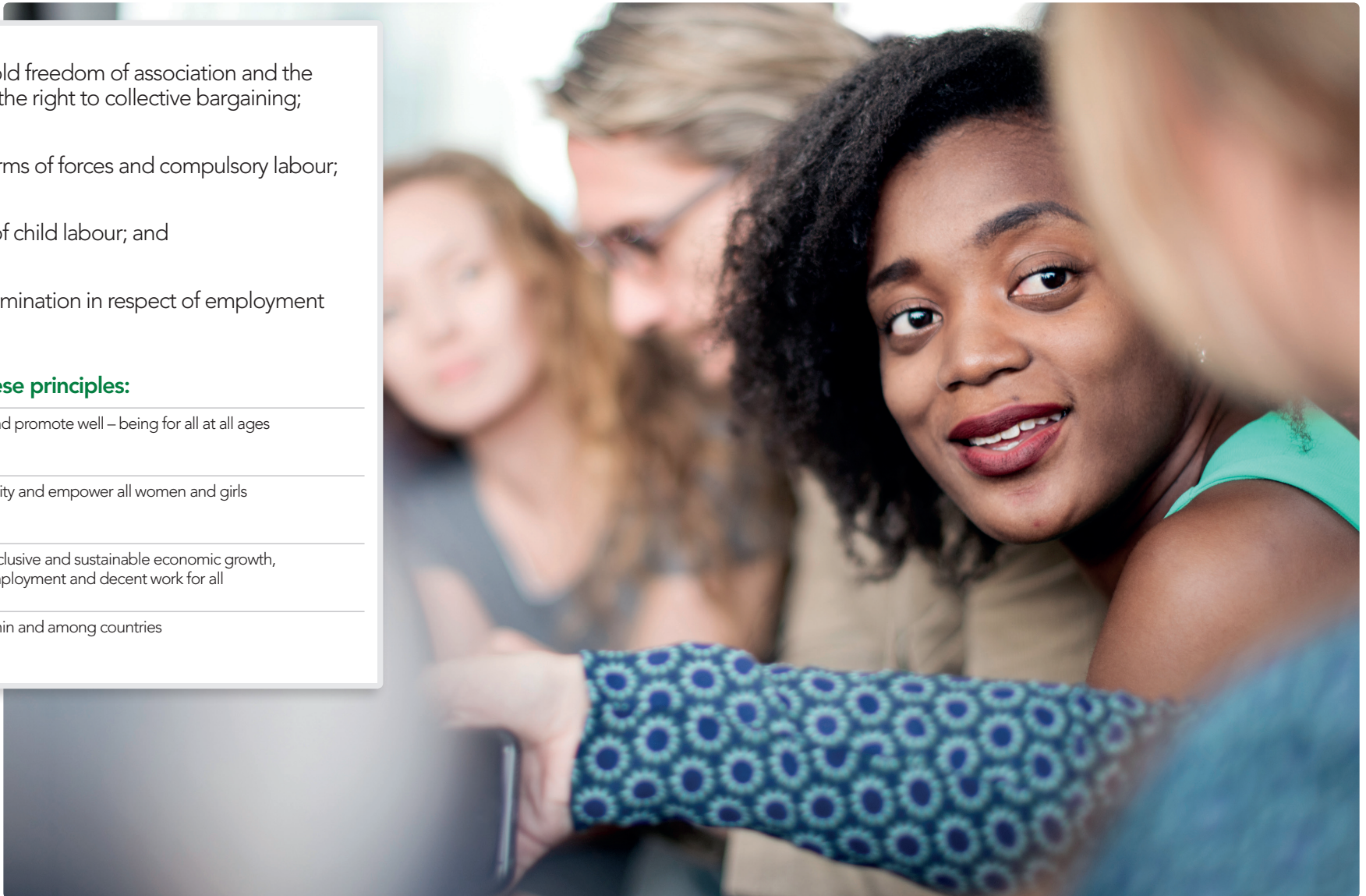
Achieve gender equality and empower all women and girls



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Reduce inequality within and among countries



► Labour

Our approach to labour

At Lloyds Banking Group, our efforts to be a responsible business require building a culture on integrity and respect. We do not tolerate any form of discrimination, slavery, trafficking or forced labour in any part of our business or supply chain and our commitment to respect labour rights is guided by the International Bill of Human Rights as well as the ILO's Core Labour Standards and its Tripartite Declaration of Principles. Our Human Rights Policy Statement details our approach to labour rights specifically and outlines our policy frameworks that guide this.

Our colleagues

We support colleagues' rights to exercise freedom of association and have extensive consultation and collective bargaining processes in place, both in the UK and overseas. We have a recognition agreement with two trade unions who collectively consult and negotiate on behalf of our UK workforce (around 99 per cent of colleagues worldwide) and have engagement with CEO, Group Executives and Board members.

Union membership is relatively high for our sector at approximately 45 per cent, and our relationship with the trade unions allows all parties to work together to improve the working environment and ensure colleagues are rewarded fairly for their contribution to the Group. Our engagement with the unions was particularly valuable during the pandemic where we held more than 100 meetings to discuss issues as they arose and ensure that our approach to health, wellbeing, reward and colleague support was reflective of needs and had the support of our union partners.

We do not tolerate discrimination in any form, and in respect of employment and occupation, deal with any colleague disputes and grievances fairly, following clear policies and procedures, including the ability to resolve issues informally.

We recognise that everyone is different, and we are working hard to build an inclusive bank that reflects the diversity of modern Britain. Our Group Inclusion & Diversity approach focuses on gender, ethnicity, disability, mental and physical health and wellbeing (including support for parents and carers), LGBT+ and agile working, with topics sponsored by Group Executive Committee members. We set

targets for engagement and representation at senior levels in the Group to ensure we continue to make progress and have been recognised externally for our work.

As outlined in the Human Rights section of this report, we have a number of internal policies and procedures that reflect our commitment to operating responsibly, inclusively, sustainably and ethically.

Our Values and Behaviours are the guiding principles for how we work. Our Code of Ethics and Responsibility (the Code) provides an overarching framework to ensure the highest possible standards of behaviour and underpins our approach to being a responsible, ethical, sustainable and inclusive business for customers, colleagues, communities, the environment and our external stakeholders. The Code applies to all colleagues, contractors and temporary employees and sets out the Group's commitment to colleague remuneration, health and wellbeing.

We have mandatory training for colleagues in the UK and overseas to ensure inclusivity is at the heart of what we do. In the UK, this includes a module on Cultural Capability, focusing on maintaining and building stronger relationships with colleagues, customers and clients, and Look Closer, which helps colleagues to create a positive working environment, free from discrimination, bias, harassment, or bullying. Training is supported by other internal initiatives, such as Dress for your Day, which aims to ensure colleagues feel comfortable and included in the workplace, by removing strict dress code requirements where appropriate. We have refreshed our performance management approach to foster an inclusive environment through the Back to your Best toolkit that emphasises getting to the root of any challenges, and

offering colleagues support to overcome these, for instance through the Employee Assistance Programme. Additionally, our Courageous Conversations training is designed to support difficult performance management conversations, by showing leaders how to manage emotional reactions so that important conversations become positive and constructive.

We have seen changing customer demands, changing colleague needs and expectations, a fluctuating and less stable business environment, and significant economic issues which have led the Group to consider how to reimagine the way we work. Prior to the pandemic, the Group had approximately 35 per cent of colleagues with an existing agile working arrangement however, due to national lockdown in early 2020, this extended to over 50,000 colleagues working from a home environment. During 2021 we will continue to reimagine ways of working and use behavioural experiments to test our thinking and identify the practicalities of various options.

To ensure colleague safety during the pandemic, face-to-face learning was halted, with colleagues redirected to meet their immediate learning needs using virtual offerings provided by our internal curriculum and external learning content providers. Despite these circumstances, we exceeded our publicly stated target of 4.4 million cumulative training hours, since the end of 2017, to develop the 'skills for the future'. We maintained focus on improving our Colleague Learning Journey. In our annual colleague survey, 85 per cent of colleagues responded positively to the statement "Where I work, people have the skills and knowledge they need to be their best", 78 per cent to the statement

"Colleagues are getting the training and development needed to keep up with customer demands" and 69 per cent to the statement "I can see that the Group commitment to learning is making a difference to me".

The Group understands that engagement is a two-way process, so each year we ask colleagues to share their views via our independently run colleague survey and participate in the annual Banking Standards Board (BSB) Culture Assessment. Our 2020 BSB assessment indicated that 98 per cent of colleagues feel that the Group has supported their wellbeing through the pandemic. Our spring Pulse colleague survey had a 66 per cent response rate and indicated positive reflections related to colleagues feeling supported, the company culture being more positive and caring, and indicated an interest from colleagues to explore changing ways of working in the future. Our autumn survey was completed by 72 per cent of the organisation and showed further increases in pride, satisfaction and overall engagement.

In our internal operations, our Pre-employment Vetting Policy and Group Wide Vetting Standards, apply to all permanent and non-permanent employees that we recruit, including temporary staff and contractors. The Pre-employment Vetting process upholds our respect for labour rights and, for our UK employees, includes the review of individuals' proof of identity, address, and right to work in the UK.

► Labour

We review our pay rates annually to ensure minimum rates are above the statutory minimum and living wage requirements that are applicable in the countries we operate in. We have worked, and continue to work, with third-party contractors to ensure that they operate in line with our commitments and expect them to ensure that the wages they pay meet legally mandated minimums without unauthorised deductions. All Group employees receive a competitive and fair reward package. To encourage ownership, colleagues are eligible to participate in HMRC-approved share plans.

The Group uses a number of recruitment agencies to fill roles. UK agencies are bound by contracts which require compliance with our Pre-employment Vetting Policy and Vetting Standards and the Code of Supplier Responsibility, and which include specific Modern Slavery and Anti-Bribery clauses. UK agencies also attest compliance annually via the Financial Services Supplier Qualification System (FSQS).

Our colleagues: Health and Wellbeing

Lloyds Banking Group is committed to supporting the health and wellbeing of all colleagues and offers a range of easily accessible support services for colleagues to use themselves or by their family.

Our employee assistance programme is run by Validium and provides colleagues with free confidential support and advice on a range of issues from health and wellbeing related issues to financial issues.

The programme covers spouses or partners living at the same address as the colleague, and children aged 16–23 in full-time education. It is available 24 hours a day, 365 days a year, via Freephone as well as online from work or home.

Increased focus on health and wellbeing has only been accelerated by COVID-19. In 2020, following 18 months of consultation with over 500 colleagues and our two recognised unions, we launched a new Health, Wellbeing and Attendance policy. This policy encourages a more empathetic and proactive approach to wellbeing and is focused on keeping colleagues well at work rather than managing absences and on colleagues and their line managers having great conversations rather than following a process.

Lloyds Banking Group has the ambition to shift mindsets to recognise the importance of mental health. By raising awareness of mental health and taking action, the Group is breaking down the stigma associated with mental health conditions, and helping our colleagues to feel equipped to support customers and each other. To facilitate this, we have introduced several wellbeing initiatives and solutions to help support both our colleagues and customers.

Our colleague wellbeing resources provide a range of support including direct access to counselling services. We are passionate advocates for removing the stigma attached to mental ill-health, actively creating a culture of openness and support and also offer colleagues private medical benefits that give parity to mental and physical health conditions.

As a Group we have particularly championed the importance of mental health for both employees and broader society, protecting fundamental rights to health and empowering people to achieve more. In the UK, our Mental Health Strategy supports colleagues and leaders through a Health and Wellbeing resource centre, and we work to safeguard and promote colleague wellbeing by ensuring a psychologically sound working environment to help prevent work-related illness and providing support and health advice in times of need.

We have also extended our partnership with Headspace, offering all colleagues a free subscription to the market-leading meditation app, providing access to mindfulness modules covering a range of topics from stress to self-esteem. These initiatives continue to help us to change our culture around mental health, and empower our colleagues to openly talk about, and take ownership of their own wellbeing and take action to support it.

We are also committed to achieving the highest standards of health and safety and fire protection for our colleagues, customers and anyone who visits our premises. Business changes were implemented to manage the pandemic from early 2020 and the Group has reviewed every iteration of the UK Government's advice. By the end of 2020, the Group had coordinated over 3,000 risk assessments across our operations to ensure all offices and branches are compliant with legislation, and safe for our colleagues and customers.

Our colleagues: Gender, ethnicity, identity and sexual orientation

Attracting, developing and retaining top talent regardless of gender, identity and sexual orientation is highly important to us and we are proud to have created an inclusive and open working environment for our colleagues. Our focus on inclusion and diversity is a source of pride for our colleagues; in 2020, according to our colleague engagement survey, 85 per cent agreed that the Group is an inclusive place to work. Approximately 50 per cent of our colleagues belong to or support one of our five employee diversity networks.

The Group reports annually on our Gender Pay Gap, and for the first time in 2020 our Ethnicity Pay Gap. We welcome this transparency and are pleased that our mean gender pay and bonus gaps have reduced further this year. While we have further reduced the mean pay gap in 2020 to 30.5% from 32.8% in 2017 the pay gaps are still larger than we would like.

We champion gender equality through promoting a strong pipeline of executive female talent for the future. Our target to have 40 per cent of senior management roles filled by women by the end of 2020 has seen us advance from 28 per cent in 2014 to 37 per cent at the end of 2020. Our goal was always aspirational and has provided real focus and, without it, we would not have made the progress that we have achieved. We have continued to drive progress around female talent development, progression, recruitment through our existing programmes and

activities, such as our Women in Leadership programme for middle management women, with around 20 per cent achieving a promotion within 12 months of attending and 45 per cent achieving a promotion within two years. In addition, our Sponsorship programme to match mid-manager grade women with a senior sponsor has resulted in attendees achieving a promotion rate five times greater than the Group average for female progression. The Group achieved the external Hampton-Alexander goal of 33 per cent for women in the combined Executive Committee and direct report population.

Encouraging ethnic diversity starts with talking to colleagues and communities about their experiences. We know that role models and understanding cultural difference are vital, which is why we delivered cultural capability training to all colleagues in 2020, building knowledge of identity, race, faith and background. Over 200 Black, Asian and Minority Ethnic colleagues took part in our Authentic Leadership Programme for senior managers, our Career Development Programme for middle managers, and wider Sponsorship Programmes. This year, we published our Ethnicity Role Models list, featuring 70 Black, Asian, and Minority Ethnic colleagues, and this year three of our colleagues were named in the celebrated EMpower Ethnic Minority Role Model lists – including two in the Ethnic Minority Executives List and one in the Ethnic Minority Future Leaders List.

► Labour

Following in-depth listening sessions with colleagues, the Group is taking focused action in support of Black, Asian, and Minority Ethnic colleagues and has launched a 'Race Action' plan to drive cultural change, recruitment and progression across the Group. Commitments for 2020 onwards include:

- Setting a new public goal to specifically increase Black representation in senior roles to at least 3% by 2025
- Working in partnership with external experts to develop a race education programme and tackling bias in the organisation
- Setting up a new advisory panel made up of Black, Asian and Minority Ethnic colleagues to influence and inform our ongoing diversity strategy and ensure we are making the right progress
- Undertaking regular listening sessions to gauge our colleagues' experiences and progress against our goal
- Publishing an Ethnicity Pay Gap report
- Commencing the roll-out of a wider race education programme for all colleagues, launching our new Talent Identification Programme for our Black senior managers, and we have started to review our key people processes to remove any issues of racial bias within the Group

We have created an inclusive and open working environment for our LGBT+ colleagues, with the Group named Top Financial Employer, and seventh overall in 2019's Stonewall Top 100 employers. Our LGBT+ colleague network, Rainbow, plays a pivotal role in our approach, with over 5,000 members and supporters it is one of the largest of its kind in the UK. In 2020, our Rainbow network celebrated their 10-year anniversary and held a series of virtual Pride events for colleagues spanning 10 weeks, reaching over 1,600 colleagues and raising £10,000 for LGBT+ charities.

Our colleagues: Disability

The Group is committed to creating an inclusive and diverse organisation where colleagues with disabilities or long-term health conditions feel valued and supported to reach their full potential. This has been recognised through the Group holding the Business Disability Forum Gold Standard accreditation and retaining Disability Confident Leader status from the Department for Work and Pensions, which recognise the inclusive culture of the Group and the support we provide our colleagues who identified as having a disability. The Group offers bespoke training, career development and adjustments for colleagues and applicants with disabilities, including those who became disabled while employed.

In 2020, 3.2 per cent of colleagues disclosed a disability to us and we have a range of support in place to help them.

Our suppliers

We take a risk-based approach to supplier management and analyse suppliers based on geography, service sectors and spend. We continue to monitor and seek to continuously improve our process of identifying risks. Where we have suppliers in recognised higher risk countries or in service sectors such as cleaning, catering, property, security and uniform providers we ensure that a dedicated Supplier Manager supports these relationships.

We expect all UK suppliers to conform to our Code of Supplier Responsibility which we share through the supplier contract as governed by our Business Sourcing Process. It defines our expectation in terms of responsible business behaviour, including our labour expectations of suppliers in both their operations and their supply chains. Specifically;

- Prohibit forced labour (slavery) and human trafficking in their supply chain and give their employees the right and ability to leave employment if they choose
- Prohibit child labour
- Ensure that wages meet legally mandated minimums without unauthorised deductions
- Allow their employees to exercise the legal right to organise and join associations (such as labour unions)
- Provide clear and uniformly applied disciplinary and grievance procedures including prohibiting mental, physical or verbal abuse

- Ensure working hours are in accordance with local regulation and industry practice and voluntary overtime is at a manageable level
- Additionally, we expect all of our suppliers to understand our vision in relation to inclusion and diversity and expect them to: treat all employees fairly and not discriminate against any group in their employment practices, in particular on the basis of gender, race, age, sexual orientation, gender identity, disability, faith, or family circumstances
- Proactively support the development of an inclusive and diverse workforce including fair representation of women, disabled, LGBT+ and Black, Asian, and Minority Ethnic employees

We encourage our suppliers to:

- Have a documented Inclusion and Diversity statement or set of statements within their Policy framework
- Encourage positive mental health at work, and have a documented mental health and wellbeing strategy

Our suppliers are also asked to comply with specific Third-Party Supplier Policies where applicable to the services they provide to the Group, such as Anti-Bribery, Data Privacy and Fraud.

These documents articulate Lloyds Banking Group's expectations in regard to behaviours and decision making, address the primary areas of risk which the Group faces and translates our risk appetite into mandatory requirements and controls.

Our suppliers have a contractual obligation to ensure compliance with all applicable laws that apply to their supply of goods and services to us, regardless of the jurisdiction in which they operate. We include compliance with the Code of Supplier Responsibility and modern slavery clauses in our UK supplier contracts and purchase order standard terms and conditions.

- Find out more
 - Code of Supplier Responsibility
 - Third Party Supplier Policies
 - Gender Pay Gap
 - Ethnicity Pay Gap
 - The Race Action Plan

► Labour

OUTCOMES

What the Group has delivered:

- We launched a 'Race Action' plan drive cultural change, recruitment and progression across the Group
- The Group was the first FTSE 100 company to launch a new public goal to specifically increase Black representation in senior roles
- We published our 2020 Ethnicity Role Models list, featuring 70 Black, Asian and Minority Ethnic colleagues, and for the first time Ethnicity Advocates. These advocates champion the understanding of ethnic and cultural diversity, actively supporting and encouraging this across the Group. Over 200 Black, Asian, and Minority Ethnic colleagues took part in our Authentic Leadership Programme for senior managers, our Career Development Programme for middle managers, and wider Sponsorship Programmes
- We rapidly invested in new equipment, systems and structures to enable as many colleagues as possible to work from home
- Created COVID-secure and effective working environments on Group premises
- Health and safety of our colleagues and customers was a key COVID-19 response focus, ensuring our offices and branches were compliant with regulations, safe and able to remain open
- The first major organisation to sign up to the Mental Health Accessibility Standards in July 2019, created to make essential services easier to use for millions of people. Delivered our Optimal Resilience Leadership Programme, which covers personal, mental and physical wellbeing to more than 7,500 senior managers across the Group. In addition, rolled out a resilience portal for all colleagues, designed to help colleagues understand themselves and their body better, and put in place actions that help them to build personal resilience

What the Group has achieved:

- 37 per cent of senior roles were held by women, by the end of 2020
- Through our Women in Leadership programme for middle management women, 20 per cent of our participants have been achieving a promotion within 12 months of attending and 45 per cent achieving a promotion within two years
- We achieved the external Hampton-Alexander goal of 33 per cent for women in the combined Executive Committee and direct report population. The Board has achieved the Hampton Alexander objective of 33 per cent female representation, and will aim to continue to do so
- Our women's network, Breakthrough, is now the largest of its kind in the UK with 15,000 members and 4,000 mentors
- In 2020, 10.6 per cent of roles held by Black, Asian, and Minority Ethnic colleagues, and increased the senior roles held by Black, Asian, and Minority Ethnic colleagues to 7.7 per cent
- 85 per cent of colleagues believe that the Group is an inclusive place to work and around 50 per cent of colleagues belong to or support one of our five diversity networks

How the Group has been recognised:

- The Group has featured in the Times Top 50 Employers for Women for nine consecutive years and in the Bloomberg Gender Equality Index for the past two years
- We have been a Top 10 Employer for Working Families for five consecutive years, awarded by the charity Working Families
- We are recognised as a leading employer for people with disabilities by the Business Disability Forum and hold their Gold Standard Benchmark. We also hold Disability Confident Leader status with the Department for Work and Pensions
- In recognition of our work supporting those with mental health challenges, Lloyds Bank has become the first ever firm to receive 'Mental Health Accessible' accreditation from The Money and Mental Health Policy Institute, after working with the charity to improve its services. We will maintain our commitment to supporting mental health, and aim become accredited as Mental Health Accessible for Halifax and Bank of Scotland in 2021, in addition to the existing Lloyds Bank accreditation

➤ Find out more

Our Reporting Criteria details the approach and scope applied to key diversity indicators

Environment

Principle 7

Businesses should support a precautionary approach to environmental challenges;

Principle 8

Undertake initiatives to promote greater environmental responsibility; and

Principle 9

Encourage the development and diffusion of environmentally friendly technologies.

SDG supported by these principles:



Ensure access to affordable, reliable, sustainable and modern energy for all



Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation



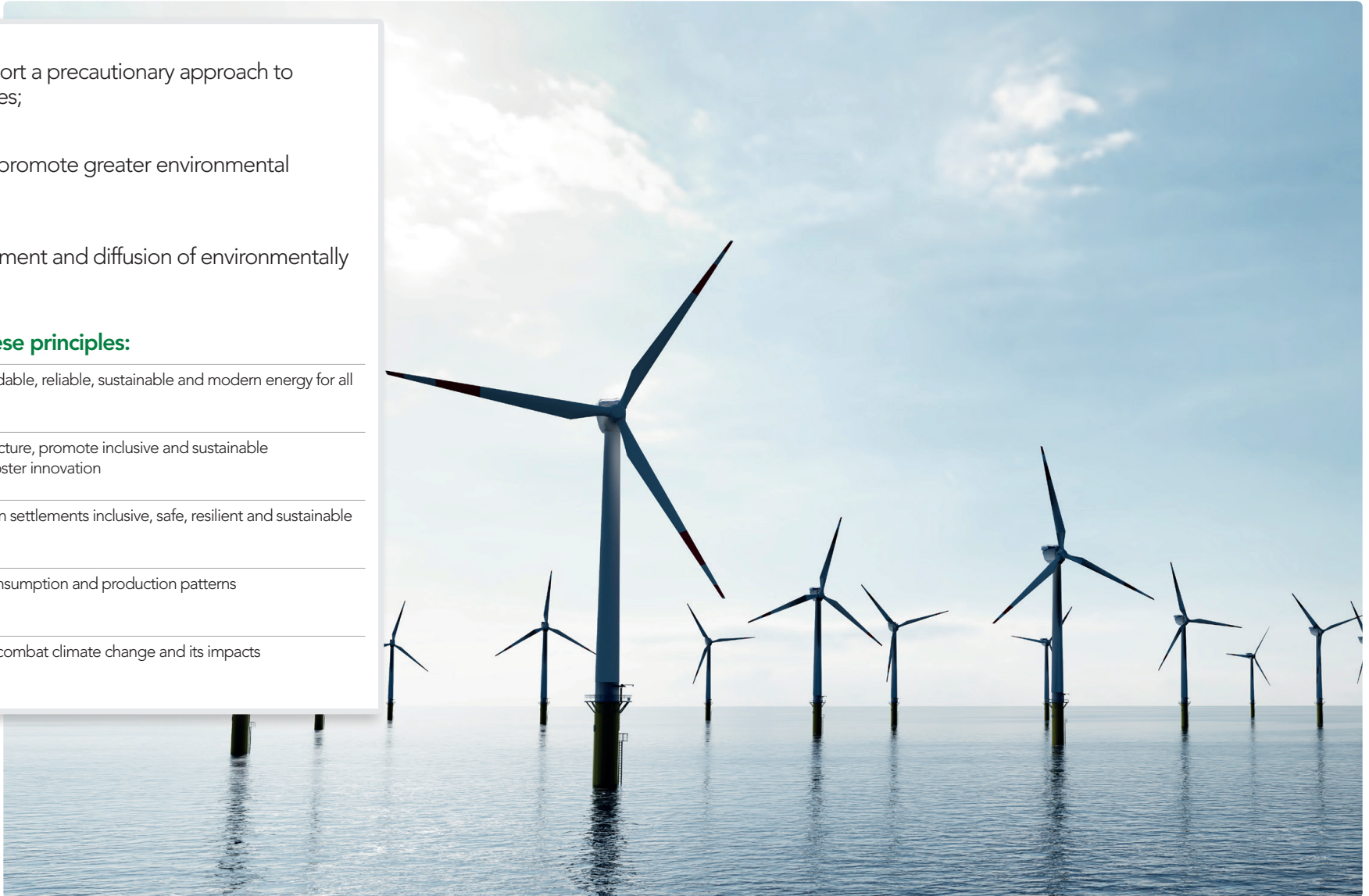
Make cities and human settlements inclusive, safe, resilient and sustainable



Ensure sustainable consumption and production patterns



Take urgent action to combat climate change and its impacts



► Environment

Our goal and approach to the environment

The UK Government has announced a commitment to the vision of a sustainable low-carbon future. Our unique position within the UK economy means that the successful transition to a more sustainable, low-carbon economy is of strategic importance to us. We support the aims of the 2015 Paris Agreement, the UK Government's net zero target and Ten Point Plan for a Green Industrial Revolution, and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

As a signal of our commitment we set an ambitious goal in 2020, working with customers, government and the market to help reduce the emissions we finance by more than 50 per cent by 2030, on the path to net zero by 2050 or sooner, supporting both the UK Government's ambition and the 2015 Paris Agreement. During the course of 2020, we have calculated an initial estimate of our 2018 financed emissions baseline, using the emerging industry standard methodology from the Partnership for Carbon Accounting Financials (PCAF). We have also developed a specific emission intensity reduction ambition for the power sector, the decarbonisation of which is critical to the UK achieving its climate targets. We will continue to develop additional sector-specific ambitions throughout 2021. Scottish Widows announced net zero targets for its investments in February 2021.

We have published a target of reaching net zero across our investment book by 2050, with an intermediate target of halving our investments' carbon footprint by 2030. We intend to reach the target through proactive investment in climate solutions, selective divestments and using our influence through stewardship to drive the transition to a low-carbon future, following the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Investment Framework.

➕ Find out more

More detail is provided in the metrics and targets section of our 2020 ESG Report

In order to meet our overall 2030 and 2050 goals, we will continue to:

- ➊ Identify new ways to support our customers and clients with the management of opportunities and risks associated with climate change, and the transition to a low-carbon economy
- ➋ Identify, manage and disclose material sustainability and climate-related risks across the Group and its financial planning processes, in line with the TCFD framework. This includes working with industry bodies, specialist consultancies and leading academics to develop a robust climate risk measurement capability
- ➌ Use our scale and reach to help drive progress towards a sustainable and resilient UK economy through engagement with customers, communities, industry, government, shareholders and suppliers
- ➍ Embed sustainability into the way we do business and manage our own operations in a more sustainable way. To support this we have updated our operational climate pledges, setting a new net zero goal for 2030

We set ourselves seven leadership ambitions to support the UK's transition to a sustainable future:

Business

Be a leading UK commercial bank for sustainable growth, supporting our clients to transition to sustainable business models and operations, and to pursue new clean growth opportunities

Homes

Be a leading UK provider of customer support for energy-efficient, sustainable homes

Vehicles

Be a leading UK provider of low-emission/green vehicle fleets

Pensions and investments

Be a leading UK pension provider that offers our customers and colleagues sustainable investment choices, and challenge the companies we invest in to behave more sustainably and responsibly

Insurance

Be a leading UK insurer in improving the resilience of customers' lives against extreme weather exacerbated by climate change

Green bonds

Be a leading UK bank in the green/sustainable bonds market

Our own footprint

Be a leading UK bank in reducing our own carbon footprint and challenging our suppliers to ensure our own consumption of resources, goods and services is sustainable.

The progress made by the Group in achieving these ambitions can be located in our 2020 ESG Report.

In 2020, we joined more than 200 businesses, investors and business organisations in calling on the Government to deliver a clean, inclusive and resilient recovery plan. The letter recommended this plan drive investment in low-carbon innovation, focused support on sectors and activities that can best support sustainable growth, and that the Government include decarbonisation requirements within financial support packages to ensure that businesses align their strategies with national and international climate goals. Lloyds Banking Group also produced Financing a Green Future, outlining why we believe prioritising a green recovery is so critical and the priority areas we thought should feature within any economic stimulus plan.

Environment

Climate change is a global challenge that requires collaboration across companies and industries to ensure the risks and opportunities can be adequately identified and managed. To support this, we participate in several industry initiatives and have signed up to key forums and principles that drive action on climate change and sustainability, including;

- ➔ The United Nations Environment Programme Finance Initiative Principles for Responsible Banking and Principles for Sustainable Insurance
- ➔ The Coalition for Climate Resilient Investment
- ➔ University of Cambridge Banking Environment Initiative – Bank 2030
- ➔ The Climate Group's campaigns – RE100, EP100 and EV100
- ➔ The PRA and FCA's Climate Financial Risk Forum
- ➔ Business in the Community Environment Leadership Team
- ➔ The Green Finance Institute Coalition for the Energy Efficiency of Buildings
- ➔ HRH The Prince of Wales Sustainable Markets Initiatives: Financial Services Taskforce
- ➔ The Institutional Investors Group on Climate Change
- ➔ The Partnership for Carbon Accounting Financials (PCAF)
- ➔ The World Economic Forum initiatives on Financing the Transition to a Net Zero Future
- ➔ The Net Zero Banking Alliance
- ➔ The Glasgow Financial Alliance for Net Zero

The Group has been a signatory to the Equator Principles since 2008 and has adopted and applied the Equator Principles 4 during 2020. We have continued to strengthen our capabilities and abilities for identifying, assessing and managing sustainability risks across our lending assessments, credit and sector risk appetite and policy setting and ongoing risk management processes. In Commercial Banking, Relationship Managers and Credit Risk Officers must consider sustainability risk for all new and renewal credit applications, and specifically comment on this where total limits exceed £500,000.

Lloyds Banking Group has identified selected sectors and defined specific risk appetites related to our financing activities within sectors that have the potential to negatively impact the environment and society, creating the need for the Group to have clear guidance in terms of risk appetite for selected activities. The sector statements set out our approach and appetite to lending as it relates to high-risk sectors, whether this risk derives directly from climate or from reputational risk. Our 2020 review of our sector statements has tightened our lending appetite for exposure to the coal sector even further. We will continue to develop sector-specific guidance to help Relationship Managers identify environmental and social risks.

The scope of our Sector Statements:

- ➔ Coal
- ➔ Oil and gas
- ➔ Power
- ➔ Mining
- ➔ Forestry
- ➔ Defence
- ➔ Manufacturing
- ➔ Automotive
- ➔ Agriculture
- ➔ Animal welfare
- ➔ Fisheries
- ➔ UNESCO World Heritage Sites

The Group has been a signatory through Scottish Widows to the UN Principles for Responsible Investment (UNPRI) since 2012, which incorporate ESG (environmental, social and governance) risk considerations into asset management. Over the course of 2020, we have focused on building robust foundations for future responsible investment activity, launching our Responsible Investment Framework in March and developing Stewardship and Exclusions Policies. We have also established a Responsible Investment team which is made up of professionals with diverse backgrounds in responsible investment, policy, research, advocacy, data and climate science. The team is set to continue to grow in line with our developing ambition in stewardship and responsible investment. Executive oversight is provided by a Responsible Investment Committee, which is a sub-committee of the Insurance Investment Strategy Committee. This committee, with strong Board support, plays a pivotal role in setting Scottish Widows' sustainability agenda and provides strategic direction to our responsible investment activity.

Scottish Widows' new exclusions policy targets companies which derive more than 10 per cent of their revenue from thermal coal and tar sands, manufacturers of controversial weapons and violators of the UN Global Compact on human rights, labour, environment and corruption – unless the size and type of investment means that the insurer can influence positive change in their business models. As one of the biggest pension providers in the UK, Scottish Widows' new exclusions policy will enable nearly 6 million UK savers to invest more sustainably. These exclusions will be applied across the group's life, pension and Open Ended Investment Company funds – including its flagship workplace pensions default – and will apply to index trackers as well as its own active funds. As part of the policy, Scottish Widows is working with its strategic investment partners to apply the exclusions to the external pooled funds they manage on behalf of a broad range of institutions in order to enable even more UK savers to invest more sustainably.

In line with TCFD recommendations, the Group has adopted a comprehensive approach to embedding climate-related risks into our Enterprise Risk Management Framework. As its own principal risk, climate risk captures the risk that the Group experiences losses and/or reputational damage as a result of climate change, either directly or through its customers. Climate risk is included as both a principal and emerging risk this year given it is such a new and fast-moving area.

We have engaged with third-party consultants to support the development of our climate risk management framework, extending our modelling and assessment capabilities for quantifying climate risk. Climate risk and sustainability have been a key consideration in the credit assessment process in recent years, and in 2020 we have deepened the integration of climate considerations into our credit processes. As part of the Group's credit risk policy, we have mandatory requirements to consider environmental risks in key risk management activities. In Commercial Banking, Relationship Managers must continue to ensure that sustainability risk is considered for all new and renewal facilities, and specifically commented on where credit limits exceed £500,000.

The Group has identified those sectors where we have lending to customers that may likely contribute a higher share of Lloyds Banking Group's financed emissions in our portfolios as a result of our lending activities, and we continue to enhance and refine this work at both counterparty and sector level, considering both risks and opportunities as we look to support our customers' responses to climate change.

➔ Find out more

More information on our progress in meeting the recommendations of the TCFD and the management of climate risk, can be located in our 2020 ESG Report

Environment

In 2019, we announced achievement of our 2030 carbon emission reduction goal for our own operations, having reduced carbon emissions by 63 per cent between 2009 and 2019, and exceeding our 60 per cent reduction target. In 2021, we have announced three new operational climate pledges which accelerate our plan to tackle climate change and apply across our operations:

- ➔ We will achieve net zero carbon operations by 2030. We plan to reduce our direct emissions (known as Scope 1 and 2 emissions) by at least 75 per cent (compared with 2018/19 levels)
- ➔ We will reduce our total energy consumption by 50 per cent by 2030 (compared with 2018/19). While we already procure zero carbon electricity, it remains crucial that we reduce the amount of power we consume to support the UK in meeting an increasing demand for renewable energy
- ➔ We will maintain travel carbon emissions below 50 per cent of pre-pandemic (2018/9) levels, embedding for the long term the reduced levels of commuting and business travel seen during the pandemic and supporting colleagues to switch to low-carbon transport

Given the strategic importance of our sustainability ambitions and commitment in managing the impacts arising from climate change, our governance structure provides clear oversight and ownership of the Group's sustainability strategy and management of climate-related risk.

The governance structure will continue to evolve as the Group further develops and embeds its approach to managing climate-related risks. The Chairman of the Responsible Business Committee (RBC) Sara Weller is a Non-Executive Director on the Board, a member of the Board Risk Committee, the Remuneration Committee and the Nomination and Governance Committee, and ensures sustainability is discussed and considered by the Board. The Board is engaged on a regular basis on our sustainability agenda, receiving regular briefings to build understanding and capability and also attending relevant external briefings. The RBC ensures Board oversight for the Group's overall strategy on environmental sustainability.

A Group Executive Sustainability Committee, a sub-committee of the Group Executive Committee, meets quarterly and acts as the executive oversight body for all sustainability activity, providing quarterly updates to the full Group Executive Committee.

The relevant Chief Risk Officers across the Group have Senior Management Function responsibility for overseeing the management of risks from climate change, covering Lloyds Bank and Bank of Scotland, Lloyds Bank Corporate Markets (LBCM), and the Solvency II regulated entities in Insurance.

Led by the Risk Division, the Climate Risk Executive Management forum is tasked with making key decisions related to the Group's climate risk management and TCFD implementation. The forum comprises senior risk colleagues across the Group, including the RFB, LBCM and Insurance sub-groups, and meets on a monthly basis, with updates provided to the Group Risk Committee, Board Risk Committees and Board. A Group-level Climate Risk Planning and Prioritisation forum supports the Climate Risk Executive Management by coordinating the implementation of TCFD and embedding of climate risk management across the Group in line with regulatory expectations, escalating issues as required. This forum is attended by stakeholders across the Risk Division, as well as from Business and Group functions.

The Group Sustainability team is supported by divisional sustainability governance forums led by Divisional Managing Directors, ensuring a coordinated approach to oversight, delivery and reporting of the Group's sustainability strategy.

Supporting suppliers to become more sustainable

We want to ensure that all our suppliers operate in a responsible and sustainable manner and we want our suppliers to share in our purpose to Help Britain Prosper. Our Code of Supplier Responsibility sets out the key social, ethical and environmental values that we want them to abide by.

The Group's aim is to be a leader in supporting the UK transition to a more sustainable, low carbon economy. We recognise both the importance of understanding and mitigating climate risks as well as the moral and commercial imperative for organisations to reduce their environmental impact. All businesses have a responsibility to be proactively managing, and reducing, their environmental impact. We expect our suppliers to understand these impacts and to:

- ➔ Abide by all legislation and regulations related to environmental protection
- ➔ Have a written Environmental Policy which is appropriate and relevant for their operations
- ➔ Have a sustainability strategy which sets out how their organisation is working to reduce their environmental impacts and support the transition to a low carbon economy

We also encourage our suppliers to:

- ➔ Ensure that tackling climate change is embedded within the strategy and governance of the organisation, in order that related risks and opportunities are managed appropriately
- ➔ Collaborate with us to help reduce our environmental impacts (which include carbon reduction, energy consumption, travel, water consumption and operational waste)
- ➔ Measure their organisation's environmental impact and put in place plans to reduce these impacts
- ➔ Understand and mitigate the risks that climate change poses to their business
- ➔ Be certified (or work towards certification) to a formal Environmental Management System Standard such as ISO14001 or ISO50001.

Environment

OUTCOMES

What the Group has delivered:

In 2020, we launched several new green finance products, tools and services such as:

- The Lloyds Bank and Bank of Scotland Green Buildings Tool was developed in partnership with CFP Green Buildings. The tool complements our Green Lending Initiative in the real estate and housing sectors, and Clean Growth Finance Initiatives across all Commercial Banking sectors
- A Sustainability Fixed Term Deposit and 95 Day Notice Account were also launched where deposited funds are used to support the same areas defined in our Sustainability Bond Framework
- We also structured and coordinated the first Sterling Overnight Index Average (SONIA) Sustainability Linked Loan for Affinity Water

These products build on our £3 billion balance sheet commitments for Commercial Real Estate Green Lending and our Clean Growth Finance Initiative.

In addition:

- We are supporting the ESG transition of social housing with our first Sustainability Linked Loan in the sector with a suite of ambitious environmental and social key performance indicators
- To help customers understand what energy-efficiency improvements they can make to their home, we launched our Green Living and Eco Home Hub for Halifax and Lloyds customers, including an online tool. It provides mortgage customers with a tailored action plan on home improvements that could make their home more sustainable
- To support Halifax customers with the cost of green home improvements, we have also introduced a Green Living Reward under the UK Department for Business, Energy and Industrial Strategy (BEIS) Green Home Finance Innovation Fund
- In 2020, we more than doubled the number of electric vehicles financed through our Motor Finance and Leasing subsidiaries, Lex Autolease and Black Horse. Within Lex Autolease, electric vehicles made up more than 10 per cent of all new orders, which is double the overall percentage of new vehicles sold in the UK in 2020 that were electric

- We have developed many tools to help customers make that transition, one of which is the Fuel Decision Tree, which is part of The Sustainability Curve toolkit. The Fuel Decision Tree helps customers to understand if their driving is suited to an electric or plug-in hybrid vehicle, helping to reduce the barriers to, and uncertainties around, transitioning to low-carbon vehicles
- We have worked with BlackRock to develop the BlackRock ACS Climate Transition World Equity Fund. We are investing £2 billion into the fund to make up 10 per cent of the equities portion of our default pension investment approach. The fund is aligned to the goals of the Paris Agreement and focused on investing more in the companies already at the forefront of decarbonisation and responsible use of natural resources, and demonstrates our commitment to supporting the decarbonisation of the economy as a whole
- We continue to partner with RedArc in operating a trauma helpline that aids customers needing extra help after a traumatic claim such as a fire or flood. We are also investing in ways to minimise the impact of flooding on our customers and to deal with weather claims as quickly and efficiently as possible
- We have maintained our role as leader for our UK corporate clients in the green/sustainable bonds market raising around £2.9 billion since 2016
- We have calculated and disclosed the emissions associated with increased homeworking as a result of the pandemic and supported the development of a white paper to help others account for similar activity in their organisations. We have continued to reduce the energy and carbon intensity of our properties and have supported low-carbon travel by installing electric vehicle charging infrastructure and improved cycling facilities in a further 14 offices in 2020

We continue to partner with the Cambridge Institute for Sustainability Leadership to provide high quality training to executives and colleagues in risk management, product development and client facing roles. In 2020, over 700 colleagues were trained (over 1,900 colleagues to date), ensuring they are able to support clients' transition to a sustainable low-carbon economy.

What the Group has achieved:

- Achievement of our 2030 carbon emission reduction goal for our own operations, 11 years early, having reduced carbon emissions by 63 per cent between 2009 and 2019, and exceeding our 60 per cent reduction target. 100 per cent of UK electricity from renewable sources
- Since 2018, the Group has supported renewable energy projects that could power the equivalent of 10.1 million homes, significantly exceeding our Helping Britain Prosper Plan 2020 target
- In 2020, we provided over £2.3 billion of green finance in Commercial Banking, through our Clean Growth Finance Initiative, Commercial Real Estate Green Lending Initiative, Renewable Energy Financing and Green Bond facilitation. This increased our total green finance to over £7.3 billion since 2016
- We have supported clients with over £1.8 billion of Sustainability Linked Loans since 2017.
- In 2021, Scottish Widows is to divest at least £440 million from companies that have failed to meet its ESG standards

How the Group has been recognised:

- Leadership level in the 2020 Carbon Disclosure Project (CDP) Climate Change survey, scoring an A- minus

Anti-Corruption

Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.

SDG supported by these principles:



Promotes sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Reduce inequality within and among countries



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



► Anti-Corruption

Approach to anti-corruption

With the Group's unique position at the heart of the British economy, we have been Helping Britain Prosper for the past 250 years, setting high standards in our professional competence, ethics, culture and behaviour to deliver for our customers and communities as a responsible, sustainable and inclusive business.

We have a moral and ethical duty to act with the highest standards of integrity and honesty at all times in delivering our strategy. We do not tolerate acts of bribery or corruption committed by any of our employees, including the Board of Directors, and any third parties who act on our behalf. Our commitment to anti-bribery and corruption builds on our corporate responsibility to our customers, shareholders and colleagues to deter, prevent, detect and respond to those who would seek to use the Group to facilitate any form of financial crime.

All our colleagues must be equipped to make the right decisions. The Group supports this by consistently promoting and embedding our policies, processes and training. Our Values and Behaviours, alongside the Financial Conduct Authority's conduct rules, set out the expectations of colleagues and they are encouraged to make decisions aligned to these. Our Values and Behaviours have acted as a moral compass during 2020. Decision making at all levels of the organisation has been guided by them. Colleagues have also used our behavioural experiments approach to help navigate some of the large and small challenges we've faced so far this year, especially to help our customers, by using our Behaviours to identify solutions.

Creating and sustaining our values-based culture with good governance is crucial to ensuring engaged, well-informed colleagues who can effectively deliver our strategy. Our rigorous internal governance and controls, comprising numerous policies and standards ensure that we treat all stakeholders fairly, while minimising risk. Each year as part of mandatory training, colleagues review our Code, which provides clear guidelines for doing business fairly and responsibly. The Code is a guide and reference point for every colleague. It explains how we can work responsibly, living up to our Values and doing the right thing when we have to make decisions, and it applies to all Lloyds Banking Group employees, contractors and agency employees, whether or not they are working with customers directly. The code is available on our website.

Speak Up

We encourage colleagues to report suspected instances of corruption, internal fraud or bribery through internal escalation routes. If our colleagues witness something inappropriate, they can report the matter to their line manager, or make use of our independent and confidential whistleblowing service, Speak Up. All colleagues complete mandatory training about ways in which they can raise their concerns, and this includes details of Speak Up and the support available.

Speak Up is managed by an independent company, which has expertise in dealing with reports of misconduct. All reports to Speak Up are taken seriously and dealt with confidentially. Colleagues can contact Speak Up by phone, email or online. Concerns are taken seriously, and all genuine reports investigated. Identity can remain confidential if preferred and no colleague will be discriminated against as a result of raising an issue. We also provide access to our UK suppliers where they and their workers can report any incidents. The Speak Up Third Party Policy has been designed to assist in managing any risk that suppliers' employees are prevented from reporting any concerns about risk, malpractice or suspected wrongdoing. A new informal resolution channel, 'Let's Talk', supports colleagues to reflect on their concerns and understand their rights and options so that grievances can be effectively and appropriately resolved through formal and informal channels. All colleagues employed or contracted to work for the Group are able to use the Speak Up service. This includes all employees, contractors, temporary staff, secondees, and those acting on behalf of, or representing Lloyds Banking Group (such as consultants and other service providers). This also includes former employees who have left the organisation. To encourage informal resolution, a new team discussion tool 'Our Dilemmas' has been created which helps build a climate of psychological safety in a team by discussing scenarios.

► Anti-Corruption

Anti-Bribery

To tackle bribery and corruption, we have policies and procedures in place to comply with all applicable laws and regulation where we operate. This includes an Anti-Bribery Policy which requires all employees, including Directors and Non-Executive Directors and anyone acting on our behalf (agents, other intermediaries, contractors, subcontractors and suppliers) to act with honesty and integrity and in accordance with the behaviours set out in our Code of Ethics and Responsibility and Code of Supplier Responsibility.

Employees and those acting on our behalf are prohibited from paying, offering, accepting or requesting a bribe, in any form; from making facilitation payments, even where this may represent local practice or custom; and from taking any action to circumvent established controls to deter, prevent, detect or respond to bribery. All colleagues, including temporary staff and contractors, receive Anti-Bribery training as part of their induction and via annual Fighting Fraud and Financial Crime mandatory training. We also work with third parties acting on our behalf to ensure that their employees are provided with appropriate training and awareness activity on a regular basis.

Gifts, Entertainment and Hospitality (GEH) has the potential to contravene legal and/or regulatory requirements relating to bribery and may also create conflicts of interest and/or reputational risks. We only allow the giving or receiving of any benefit, gift, entertainment or hospitality by or to a business or our colleagues, in specific circumstances defined in the Group Gifts, Entertainment and Hospitality Procedure. All colleagues receive GEH training as part of their induction and via annual Conflicts of Interest mandatory training. This Procedure supports the implementation of the Group Compliance Policy and Anti-Bribery Policy. When offering, accepting, giving or receiving GEH colleagues must:

- Ensure that the cost or value of the GEH is proportionate to the Group's relationship with the provider or recipient
- Ensure that any GEH must not be construed as being improper, excessive or as a bribe or potential bribe
- Ensure that the timing of any offers or the acceptance of any GEH is appropriate to any announcements in respect of the Group and/or any other parties involved in the GEH
- Ensure that the GEH has been approved in line with the requirements
- Record the GEH in a format set out under the requirements of the Procedure; the GEH register is reviewed at least quarterly to identify the levels of GEH received by colleagues

To help ensure our business is conducted without bribery and corruption, we are committed to:

- Conducting regular risk assessments of our business practices to identify, mitigate and control potential bribery and corruption risks
- Risk assessing and undertaking appropriate due diligence of third parties acting on our behalf to allow us to be satisfied that the third party is genuine and one which we can trust to do business without bribing; this may include terminating relationships in some instances
- Running implementation, oversight, assurance and audit programmes to demonstrate compliance with Anti-Bribery Policy requirements
- Reporting regularly on progress to our Risk Committees
- Ensuring that requests to engage in giving or receiving charitable donations, event sponsorship and gifts, entertainment and hospitality do not lead to unacceptable levels of risk
- Ensuring that anyone found to be involved in bribery is considered for internal disciplinary action in line with our disciplinary policy
- Supporting law enforcement and regulatory bodies in any prosecutions by investigating and reporting promptly

Fraud & Financial Crime

The financial crime landscape is undergoing unprecedented change in terms of both evolving crime threats and regulatory reform. The Group's adoption of a risk-based approach to managing and mitigating fraud and financial crime risk ensures compliance with applicable regulations via a control framework which focuses on those customers, products, channels and jurisdictions that carry heightened risk. The Group's economic crime prevention strategic vision is based on the principle of intelligence and data-led risk management, to minimise customer impact while reducing the harm to our communities caused by criminals and terrorists. We are committed to managing the economic crime risks associated with our business. We operate systems and controls which are appropriate and effective within our stated risk appetite, and which meet legal and regulatory requirements.

There are currently four Group-wide economic crime policies covering fraud, anti-money laundering and counter-terrorist financing, sanctions and prohibitions, and anti-bribery. These are core policies within the Group's Risk Management Framework which all businesses must comply with. Each policy sets out the fundamental requirements for businesses to perform risk assessments, implement proportionate controls and ensure sufficient independent oversight is maintained to assure the efficacy of controls. A combined fraud and financial crime mandatory training course reflecting key policy requirements is undertaken annually by all colleagues.

In 2020, we became members of the United For Wildlife Financial Taskforce. United For Wildlife is a Royal Foundation working to tackle illegal wildlife trade by bringing together conservation organisations, governments and global corporations. We are playing our part by educating our colleagues to look out for indicators of wildlife trafficking, providing intelligence to and acting on intelligence received from bodies and law enforcement, and supporting and promoting the work of the Taskforce and United For Wildlife. We are also active supporters of Stop Scams UK. Stop Scams UK is a new organisation designed to stop scams at the source by bringing together partners from various industry sectors. While still in its infancy, the financial services and telecoms sectors are already working together to identify opportunities to disrupt and stop scams, and our hope is to extend this to social media companies and online payment platforms.

► Anti-Corruption

Governance

Our approach and governance are overseen by the Group Fraud and Financial Crime Prevention Committee. This Committee brings together accountable stakeholders and subject matter experts to ensure that the development and application of fraud and financial crime risk management complies with the Group's strategic aims, corporate responsibility, risk appetite and Group Fraud and Financial Crime (Anti-Money Laundering, Anti-Bribery and Sanctions) Policies. It provides direction and appropriate focus on priorities to enhance the Group's fraud and financial crime risk management capabilities in line with business and customer objectives whilst aligning to the Group's target operating model.

We are also a member of the Business Integrity Forum of Transparency International UK, a network of major international companies committed to operating to high standards of integrity and transparency in business practices, including anti-bribery and corruption.

Working with our customers

Lloyds Banking Group expects all of our customers to comply with applicable international conventions, sanctions and embargoes, legislation and licensing requirements while showing a clear commitment to robust ESG and risk management. Within our risk appetite, we aim to support and benefit from ESG investment opportunities, offering customers sustainable investment choices, and challenging companies that we invest in to behave more sustainably and responsibly. In all sectors, and especially those which experience heightened exposure to corruption and money laundering risks, we aim to work with customers who align their operations with the United Nations Global Compact's human rights, labour, environment, and anti-corruption standards. Lloyds Banking Group has identified selected sectors and defined specific risk appetites related to our financing activities within sectors that have the potential to negatively impact the environment and society, creating the need for the Group to have clear guidance in terms of risk appetite for selected activities. We have continued to strengthen our capabilities and abilities for identifying, assessing and managing sustainability risks across our lending assessments, credit and sector risk appetite and policy setting and ongoing risk management processes. Relationship Managers and Credit Officers across the Commercial Banking must ensure that sustainability risks are considered at transaction origination and monitored on an ongoing basis throughout the customer lifecycle. In Commercial Banking Relationship Managers and Credit Risk Officers must consider sustainability risk for all new and renewal credit applications, and specifically comment on this where total limits exceed £500,000.

Working with our suppliers

Our Code of Supplier Responsibility sets out the key social, ethical and environmental values that we want suppliers to abide by. We expect all suppliers to act with honesty and integrity, managing their business ethically and responsibly. We expect them to have identified and understand the risks in their business and to:

- Have a written Responsible Business strategy which sets out their approach, governance and the steps they take to ensure they are doing business responsibly.
- Adopt their own Code of Supplier Responsibility, or a similar policy or statement that covers: adherence to local laws; bribery and corruption; and business integrity (including improper payments, conflicts of interest, fraud, competition, gifts and hospitality, and brand and intellectual property protection).
- We also encourage them to support and improve the communities where they operate from an environmental, social and/or economic perspective.

Where a supplier is identified as high risk, businesses within the Group are expected to undertake a risk assessment and risk-based anti-bribery due diligence. The Managing Director (or equivalent) of each business area or support function must identify, appoint and sponsor a Nominated Senior Manager (NSM). The NSM ensures that the business area's control processes and procedures are appropriately designed and operated effectively.

The NSM approves any high-risk supplier relationships prior to any contracts or formal agreements being finalised. Businesses must then monitor the supplier throughout the duration of the relationship and at least annually review and refresh their risk assessment and risk-based anti-bribery due diligence to ensure any material change is identified and issues escalated as appropriate.

Outcomes

- In 2020, colleagues reported 482 concerns to Speak Up, of which 178 were formally investigated following triage, with 41 per cent of those investigations substantiated, resulting in remedial action
- Since December 2017, the Group has used its in-house team of 'mule hunters' to identify and stop the movement of money from scams. Over 39,000 accounts associated with mule activity have been identified and closed, and c.£35 million of victims' funds have been frozen
- Around 96 per cent of colleagues completed the Fraud and Financial Crime Annual Mandatory Refresher training in 2020

➤ Find out more
[Code of Ethics & Responsibility](#)
[Supplier Third-Party Policies](#)
[Anti-Bribery Policy](#)
[Code of Supplier Responsibility](#)
[Sector Statements](#)



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