

Responsible Business

We have served Britain through our products and services for more than 250 years, across every community, and millions of households. Our success is interwoven with the UK's prosperity and we aim to Help Britain Prosper by operating as a responsible, sustainable and inclusive Group. This underpins our purpose and the way we deliver our strategy.

We recognise that we have a responsibility to help address the economic, social and environmental challenges that the UK faces. Our approach to responsible business ensures that colleagues are equipped to make the right decisions supported by our values-based culture, and the way we embed responsible business in our policies, processes and training.

Our areas of focus

Each year we gather stakeholder views through a dedicated materiality study. In 2018, they identified demonstrating responsibility at our core as a key priority, including how we keep customers' data safe, support vulnerable customers, lend responsibly, support businesses and work with suppliers. Read more on our stakeholders on [pages 16 to 18](#).

Stakeholders also identified building capability and digital skills as a key issue, alongside tackling social disadvantage, inclusion and diversity and sustainability. We believe that the way we are addressing these issues places us in a unique position to Help Britain Prosper:

- We are using our own capabilities in digital banking to help develop the skills of people, businesses and charities

- We are one of the UK's largest corporate donors and use our scale and reach to tackle some of society's more complex challenges through our independent charitable Foundations
- We have taken a leading role in championing diversity and mental health, setting public goals for increasing Black, Asian & Minority Ethnic (BAME) representation at all levels
- Our ambition is to take a leading role in supporting the UK's transition to a sustainable low carbon economy

Responsible business of the year

Lloyds Banking Group has been voted Responsible Business of the Year 2018 by Business in The Community, which highlighted our Helping Britain Prosper Plan, commitment to delivering social benefits through digital transformation and support for the lower carbon economy. Euromoney magazine has also ranked us Best Bank in Western Europe for Corporate Responsibility 2018.



We can only help with the unprecedented levels of change in Britain today by staying true to our purpose of Helping Britain Prosper. Operating responsibly is fundamental to everything we do, from lending to first time buyers to tackling disadvantage in areas such as mental health. Every colleague has a part to play, and every part of the Group has its own action plan for supporting customers, while involving colleagues in our work in communities.

We believe we can make a substantial contribution to Britain's social and economic prosperity. We're developing a Skills Academy, initially focusing on Digital Skills, in pilot in the North West of England. Through our charitable Foundations we support thousands of charities working with groups on issues such as domestic abuse and homelessness. As sustainability becomes more of a priority for us all, we have a role to play in supporting a lower carbon economy, the UN's Sustainable Development Goals and the UK Government's Clean Growth strategy.

Sara Weller
Non-Executive Director and Chair,
Responsible Business Committee



The Lloyds Banking Group Centre for Responsible Business

We are working with thought leaders to build our understanding of operating responsibly, and to help drive change across industry, in how responsible business is considered. The Centre for Responsible Business (CFRB) is a unique joint venture between Lloyds Banking Group and the University of Birmingham's Business School. This initiative combines research with business, exploring how all businesses can work in an ever more responsible and ethical manner. The outputs of this approach will have impacts across a range of industries, benefitting the entire economy.

The CFRB's work aligns with our purpose to Help Britain Prosper, and our support for the UN's Sustainable Development Goals. The Centre was established to help learn lessons from the past and to help us and others work in a different way going forward. It will play a pivotal role in ensuring the worlds of academia, business and policy-making work together more effectively to drive change. One area of focus will be exploring the regulatory, operational and ethical barriers to the implementation of artificial intelligence.



We are in the early stages of this exciting collaboration between Lloyds Banking Group and the University of Birmingham. Moving from an initial idea, to challenge-centred research and engagement, exploring how businesses can be 'rewired responsibly' to inform, shape and energise Responsible Business. It's a unique opportunity to explore best practice, and inform the evolution of responsible business decision making, underpinning Lloyds Banking Group's pioneering initiative, 'Helping Britain Prosper'. It has been some journey so far, laying down the foundations for future success.

Professor Ian Thomson, Director
Lloyds Banking Group Centre
for Responsible Business

Responsible Business

Helping Britain Prosper Plan

As part of Helping Britain Prosper, we believe we have a responsibility to help address some of the social, economic and environmental challenges that the UK faces. We manage this through our Helping Britain Prosper Plan.

Launched in 2014 and revised annually, the Plan focuses on the areas in which we can make the biggest difference.

In 2018 we set specific targets aligned to our 3 year strategy. It continues to unite and inspire our colleagues and for 2019, we have included a specific sustainability metric, alongside the six existing priority metrics, highlighted in bold below.












visit [lloydsbankinggroup.com/prosperplan](https://www.lloydsbankinggroup.com/prosperplan)

As a UK focused retail and commercial financial services company, we recognise our responsibility to help address the economic, social and environmental challenges that the UK faces. We remain fully committed to Helping Britain Prosper.

António Horta-Osório
Group Chief Executive



HELPING BRITAIN PROSPER PLAN 2019

Area of focus	2018 achieved	2019 targets	2020 ¹ targets	UN Sustainable Development Goals	
Helping Britain get a home Amount of lending committed to help people buy their first home	£12.4bn	£10bn	£30bn		+ page 21
Helping people save for the future Growth in assets that we hold on behalf of customers in retirement and investment products	£7.4bn	£32bn ²	£50bn		+ page 21
Supporting businesses to start up and grow Increased amount of net lending to start-up, SME and Mid Market businesses	£3bn	£5bn ²	£6bn	 	+ page 21
Building capability and digital skills Number of individuals, SMEs and charities trained in digital skills, including internet banking	700,232	600,000	1.8m		+ page 21
Tackling social disadvantage across Britain Number of charities we support as a result of our £100m commitment to the Group's independent charitable Foundations	3,113	2,500	2,500		+ page 22
Championing Britain's diversity Percentage of senior roles held by women	35.3%	36.7%	40%		+ pages 22-23
Percentage of roles held by Black, Asian and Minority Ethnic colleagues	9.5%	9.7%	10%		
Percentage of senior roles held by Black, Asian and Minority Ethnic colleagues	6.4%	7.2%	8%		
Helping the transition to a sustainable low carbon economy Average number of homes that could be powered as a result of our support of UK renewable energy projects	2.6m	3.5m ²	5m	 	+ pages 24-25

¹ Figures are all cumulative excluding tackling social disadvantage across Britain and championing Britain's diversity.

² Figures are cumulative from 2018.

Helping Britain get a home

As the largest lender to the UK housing sector, we are committed to supporting home ownership across the UK and are working to make it an affordable reality for millions of people, lending £12.4 billion to first time buyers in 2018.

Helping people save for the future

We recognise the importance of savings to build financial resilience and help to tackle disadvantage, so we're making saving for the future as easy as possible by improving choice, flexibility and control. In 2018 we grew the assets we hold on behalf of customers in retirement and investment products by £7.4 billion.

Supporting business to start up and grow

Supporting UK businesses of all types is key to Helping Britain Prosper. In 2018, we helped more than 124,000 businesses start up, increased the amount of net lending to start up, SME and Mid Market businesses by £3 billion and doubled our financial investment at the Lloyds Bank Advanced Manufacturing Training Centre (AMTC).

Building capability and digital skills

Our ambition is to enhance capability and digital skills, helping 1.8 million people with skills training by 2020 alongside investing in apprenticeship schemes. Working with over 50 partners, in 2018 we provided digital skills training to over 700,000 individuals and organisations.

Digital skills

Using a blend of transactional and attitudinal data we provide the UK's largest study of the digital capability of individuals, SMEs and charities. The Lloyds Bank Consumer Digital Index 2018 shows that 21 per cent of the UK lack basic digital skills, including 10 per cent of the working population. A further 8 per cent are entirely offline. 42 per cent of SMEs and 48 per cent of charities lack the skills to benefit from the time and costs savings associated with digital capability. The Lloyds Bank Business and Charity Digital Index 2018 revealed that the UK loses £84.5 billion in annual revenue due to a lack of SME digital capability.

To combat these challenges we have several key initiatives:

23,000 colleagues volunteered to become Digital Champions supporting local communities; we delivered Digital Knowhow workshops to over 3,000 organisations covering fraud and digital marketing with an online toolkit signposting key resources; we co-created a digital curriculum and delivered events in schools to inspire over 800 students and teachers with our ReDiscover programme; and colleague volunteers hosted over 1,000 code clubs in schools.

Partnering for progress

In 2018 we led a consultation on the new Essential Digital Skills Framework for the Department for Education as their sole evaluation provider. This work provided the business case for the Government's Digital Skills Entitlement; free digital skills training for all adults from 2020.

We are a leading member of the UK Government's Digital Skills Partnership, advisors to the Secretary of State for Digital, and chair the Department for Digital, Culture, Media and Sport's Digital Enterprise Delivery Group. We have played a central role in implementing a Charity Digital Code of Practice, with local authorities now adopting our Digital Champions model. We have also worked closely with national and local governments like Greater Manchester Combined Authority and Welsh Assembly to drive change.

Lloyds Bank Academy

In November we launched the Lloyds Bank Academy. Initially piloted in Manchester, the Academy provides basic and workplace skills through online and face-to-face courses. Developed with our charitable Foundations, academia, industry and Government, the Academy will scale nationally in 2019 and our existing initiatives will be closely aligned to extend our reach and impact.



Inspiring the next digital generation

We are building digital talent through our #ReDiscover initiative. Launched in July 2018 #ReDiscover brings a new digital edge to learning, helping children aged 11 to 14 to think and explore, meet digital professionals, undertake work placements, and build future digital needs into their studies. By holding school events and co-creating lesson plans we have inspired over 800 students to date.



Having a 5 minute chat with a student today has changed her outlook on the future. That's what makes #ReDiscover so worthwhile.

Rachel
Colleague volunteer



Developing Britain's manufacturing talent

Britain is renowned for its manufacturing expertise. The sector accounts for 10 per cent of UK GDP, for 44 per cent of all UK exports and directly creates 2.7 million jobs. Yet there is a lack of qualified workers. The shortfall could reach 220,000 by 2020 so it is vital to train new talent.

We are helping to address this. In 2018, we doubled our financial investment at the Lloyds Bank Advanced Manufacturing Training Centre in Coventry to £10 million over 10 years and committed to train 3,500 apprentices, graduates and engineers by 2024. We have already created 178 apprenticeships and trained 80 graduates and 295 engineers, including many women and individuals from a Black, Asian and Minority Ethnic background.

More than 250 Lloyds Bank customers have been supported through our partnership with the Manufacturing Technology Centre (MTC), with around 70 of them undertaking a bespoke programme to improve efficiency and productivity or adopt new technology.



A career at the MTC has allowed me to work on high profile and challenging manufacturing projects, applying all the skills I've learnt, and also learn new ones.

Rishi Chohan
MTC Graduate 2018



Taking a joined up approach to tackling domestic abuse

In partnership with our independent charitable Foundations, we're providing more than just traditional funding. Our Foundations are helping us work with charities they support to develop a deeper understanding of the challenges faced by customers affected by complex and sensitive issues.

The charity Behind Closed Doors (BCD) helps people in Leeds exit harmful situations relating to domestic abuse. Lloyds Bank Foundation for England and Wales provides financial support to help them deliver their vital services to vulnerable people. To deepen the support they can provide, the Foundation matched BCD with a senior Group colleague, Dave Moore, who has joined them as a charity mentor and valued Board member, helping them become sustainable, develop their offering and reach more people in need.



Dave is dynamic and energetic, and he's motivated the Board to become more proactive. He's encouraged a business-like approach, where we can more easily consider the long-term future, setting clear goals and a strategy for achieving them, and he's supported the Board to become more strategic in their governance role. It's been great having his support.

Louise Tyne
Operational Director, BCD

Tackling social disadvantage across Britain

As one of the UK's largest corporate donors, we use our scale to reach millions of people and help tackle social disadvantage in communities across the UK. Our four independent charitable Foundations are fundamental to our vision of tackling social disadvantage. They cover the UK and the Channel Islands, partnering with small and local charities to help people overcome complex social issues and rebuild their lives.

Our total community investment in 2018 was £56 million. This includes our colleagues' time, direct donations, and the money we give to our Foundations, which receive a share of the Group's profits annually. The Foundations supported over 3,000 charities in 2018, providing help for some of the most disadvantaged and vulnerable people in Britain.

In addition to funding, we support the Foundations through volunteering, and more than 370 colleagues are also active as mentors to charities supported by each of the Foundations. This year, we ran a pilot with the Lloyds Bank Foundation for England and Wales to recruit some of our senior leaders as charity trustees and launched a Community Forum through which colleagues support charities. Through these initiatives, our Foundations help us better understand some of the social issues people may be facing and we use these insights to help shape effective responses.

Championing Britain's diversity

We champion inclusion and diversity (I&D) to reflect the diverse communities we serve. We were the first FTSE100 company to set a public goal on gender diversity and this year became the first FTSE100 company to set public goals to increase Black, Asian and Minority Ethnic (BAME) representation at all levels. Additionally, this year we enhanced our focus on mental health, as this is key to economic prosperity and social inclusion, and therefore to Helping Britain Prosper.

We know that the most inclusive organisations are the most successful, so we welcome and value the unique difference of every colleague. 2018 has been a year of significant progress against our I&D objectives, which we know is a source of pride for our colleagues; this year 88 per cent of them agreed in our annual survey that the Group is an inclusive place to work. Around 50 per cent of colleagues also belong to or support one of our five diversity networks.

Indicator is subject to Limited ISAE3000 (revised) assurance by Deloitte LLP for the 2018 Annual Responsible Business Reporting. Deloitte's 2018 assurance statement and the 2018 Reporting Criteria are available online at www.lloydsbankinggroup.com/our-group/responsible-business/

Ethnicity

We have a comprehensive Ethnicity Strategy to help us meet our goals, which focus on attracting and retaining talented BAME colleagues; building cultural awareness at all levels; and increasing visibility of authentic role models from a wide range of ethnic backgrounds. By the end of the year 6.4 per cent of senior managers were BAME colleagues, compared with 5.6 per cent in 2017, while BAME colleagues made up 9.5 per cent of our total workforce, compared with 8.3 per cent in 2017.

To achieve this, activities in 2018 included: developing our Authentic Leadership Programme for BAME senior managers and our Career Development Programme for BAME middle managers; actively promoting our Race, Ethnicity and Cultural Heritage Network, which now has around 4,000 members; and promoting our Ethnicity Role Models List. In October, we signed the UK Government's Race at Work Charter and already meet and exceed its principle requirements. In 2018 we won the overall Outstanding Employer Award at the inaugural Investing in Ethnicity Awards.

Gender diversity

We remain committed to having women fill 40 per cent of our senior management roles by 2020 and have been included in The Times 'Top 50 employers for women' in 2018, for the seventh year running. This year we continued sponsoring Women of the Future Ambassadors, connecting successful women with female students, and launched our Sponsoring Leaders programme, enabling women in senior roles to champion the potential of women in more junior roles. The promotion rate for the 100 colleagues who completed the programme in 2018 was around five times that of non-participants. From January 2019, the Group will be included in the Bloomberg Gender-Equality Index for the first time.

For more information about Gender Pay see pages 82 to 104

We were a top ten Trans-Inclusive employer and fifth employer overall in the Stonewall Top 100 2018, the highest ranked financial services company in the UK. Through our Rainbow network colleagues raised almost £100,000 to support key charities and we continued our sponsorship for Stonewall Young Campaigners, empowering young people aged 16 to 21 to become campaigners for Lesbian, Gay, Bisexual and Transgender equality.

Supporting people with disabilities

Traditionally, employment of people with disabilities has focused on making changes to physical infrastructure or working practices. We are moving the debate from accommodating disabilities to developing talent and careers. We offer bespoke training, career development programmes

and recruitment process adjustments for colleagues and applicants with disabilities, including those who have become disabled while employed. Training includes courses run with external disability consultants, which have been described as life changing by attendees. We give full and fair consideration to applications from all candidates, offering guaranteed interviews for candidates declaring a disability, and meeting minimum role requirements. We are unbiased in our assessment, selection, appointment, training and promotion of people. In 2018 we retained our Business Disability Forum (BDF) Gold Standard, and hold Disability Confident Leader status with the Department for Work and Pensions. The BDF considers our workplace adjustment process for disabled colleagues to be ground breaking, creating a best practice case study that they have shared with around 400 other BDF member organisations. We are set to achieve Autism Friendly Bank and Employer accreditation from the National Autistic Society in mid-2019.

Mental health & wellbeing

As a Group we believe that a shift in mindset is needed amongst UK employers when it comes to mental health. We all have mental health as well as physical health and our approach focuses on removing the stigma attached to mental ill health, addressing it in the same way as we would any physical condition; through a culture of conversation and support.

Our mental health strategy supports colleagues and leaders through a mental health resource centre and this year we stepped up mental health training for colleagues at all levels. To date more than 40,000 colleagues have completed training on mental health and we are training 2,500 colleagues to become mental health advocates by 2020. We enrolled 200 leaders in our new Optimal Resilience Leadership Programme, which covers personal, mental and physical wellbeing and are now working on extending this to the next level of 2,000 senior managers.

Through a targeted communication campaign and personal stories shared at all levels, we have encouraged colleagues to freely discuss mental health, with the number of those who tell us they have mental health issues up by 22 per cent over the past three years.

We also extended the focus on mental health to our colleague wellbeing resources, increasing private medical benefit cover for mental health to match that of physical health. Our employee assistance programme now provides colleagues with access to counselling and cognitive behavioural therapy, and our workplace adjustments programme increasingly offers support for mental as well as physical types of disability.

Recognition that mental health is an issue for our customers and the communities we serve, inspired us to create our 'Get the Inside Out' advertising campaign to challenge mental health stereotypes.



The Mental Health and Money Advice Service

More than £8 million raised since 2017 has helped our charity partner, Mental Health UK, open the Mental Health and Money Advice Service – the UK's first dedicated advice service for people with mental health and money problems. These two issues are often inter-related, so the new service is urgently needed.

It comprises a public website providing information across a number of issues including benefits, debt problems and managing mental health. It also operates a referral only telephone advice service.

Since its launch in November 2017, the website has received around 180,000 views and more than 1,000 people have been referred for confidential advice. More than 2,400 cases have been handled, with each client on average about £1,000 better off as a result. By November 2018 a total annual saving of over £1.3 million had been delivered.



I know I still have a way to go, but thanks to Mental Health and Money Advice I have improved my confidence and built up some skills to better manage my situation.

Stephen
Mental Health and Money
Advice Service user

Our Inclusion and Diversity data

	2018	2017 ¹
Gender		
Board Members		
Male	9	9
Female ²	4	3
Senior Managers ³		
Male	4,701	4,939
Female	2,573	2,544
Colleagues ³		
Male	30,458	31,216
Female	42,372	42,956
Ethnic Background		
Percentage of colleagues from a BAME background	9.5%	8.3%
BAME managers	9.0%	8.3%
BAME senior managers	6.4%	5.6%
Disability		
Percentage of colleagues who disclose they have a disability ⁴	1.7%	2.6%
Sexual Orientation		
Percentage of colleagues who disclose they are lesbian, gay, bisexual or transgender	2.0%	1.7%

1 2017 reporting scope excludes MBNA colleagues, who became part of Lloyds Banking Group plc in June 2017, as their separate grading structure could not be aligned to LBG grades at that point.

2 Data as at 31 December 2018. Amanda Mackenzie joined the Board on 1 October 2018, and Deborah McWhinney retired from the Board on 31 December 2018.

3 Reporting scope: payroll headcount includes established and fixed term contract colleagues, parental leavers, MBNA colleagues and Internationals. Excludes Leavers, Group Non-Executive Directors, contractors, temps, and agency staff.

4 Percentage disclosure for disability has reduced due to the implementation of a new HR system in Nov 2018, with differing categories. Not all disability data could be directly mapped across into the new system.

Diversity scope: Payroll headcount including parental leavers. Excludes contractors, temps and agency staff. Gender information includes International colleagues and MBNA. All other diversity information is UK Payroll only. Senior Managers: Grades F+. Managers: Grade D-E. Data source: HR system (Workday). Apart from gender data, all diversity information is based on colleagues' voluntary self-declaration. As a result this data is not 100 percent representative, our systems do not record diversity data for the proportion of colleagues who have not declared this information.

Responsible business continued

Helping the transition to a sustainable low carbon economy

Following a Board level review of our approach to environmental sustainability, we have developed a new sustainability strategy which focuses on the opportunities and threats related to climate change and the need for the UK to transition to a sustainable low carbon economy.

This strategy supports the Task Force on Climate Related Financial Disclosures (TCFD) recommendations and incorporates an implementation plan to address them and achieve full disclosure within five years. The strategy maps to the key headings used in the TCFD framework.

Strategy

Our commitment

The UK is committed to the vision of a sustainable, low carbon economy, and has placed clean growth at the heart of its industrial strategy. This will require a radical reinvention of the way people, work, live and do business.

We have a unique position within the UK economy with our purpose of Helping Britain Prosper. The successful transition to a sustainable, low carbon economy that is resilient to climate change impacts and sustainably uses resources is of strategic importance to us. We support the aims of the 2015 Paris Agreement on Climate Change, and the UK Government's Clean Growth Strategy.

Our approach

To meet our commitment, we will:

- ➊ Take a strategic approach to identifying new opportunities to support our customers and clients and to finance the UK transition to a sustainable low carbon economy, embedding sustainability into Group strategy across all activities
- ➋ Identify and manage material sustainability and climate related risks across the Group, disclosing these and their impacts on the Group and its financial planning processes in line with the TCFD recommendations
- ➌ Use our scale and reach to help drive progress towards a sustainable and resilient UK economy, environment and society through our engagement with industry, Government, investors, suppliers and customers
- ➍ Embed sustainability into the way we do business and manage our own operations in a more sustainable way

Our ambition

Our goal is to be a leader in supporting the UK to successfully transition to a more sustainable, low carbon economy. We have set ourselves seven ambitions anchored to the goals laid out in the UK Government's Clean Growth Strategy, as these align closely to our business priorities:

- ➊ **Business:** become 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
- ➋ **Homes:** be a leading UK provider of customer support on energy efficient, sustainable homes
- ➌ **Vehicles:** be a leading UK provider of low emission/green vehicle fleets
- ➍ **Pensions & investments:** be a leading UK pension provider that offers our customers and colleagues sustainable investment choices, and challenges companies we invest in to behave more sustainably and responsibly
- ➎ **Insurance:** be a leading UK insurer in improving the resilience of customers' lives against extreme weather caused by climate change
- ➏ **Green bonds:** be a leading UK bank in the green/sustainable bonds market
- ➐ **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

For each ambition we will consider the Government's targets and current plans. We will use forward looking scenarios to identify risks and opportunities over short, medium and long term time horizons and assess how they impact the resilience of our strategy. We are developing a series of propositions against each ambition and have defined an implementation plan to achieve a leadership position within three years. We will work with Government and other stakeholders on thought leadership to help inform the creation of the policies and market conditions required for large scale investment in the transition to a sustainable, low carbon economy. To support these propositions, we are equipping our business relationship managers and other colleagues with training and tools to have more informed conversations on climate related issues. As part of our TCFD implementation plan, we will also develop a forward looking approach to systematically reporting material financial risk and opportunity aggregated across the Group.

Improving our own environmental footprint is an important foundation for our activity. We've consistently reduced our environmental impacts, thanks to the ambitious Environmental Action Plan we launched in

2010. To ensure this plan supports the UK's climate change priorities and our long term strategy, we have a set of market leading targets to improve the sustainability of our own operations and supply chain. These include reducing our operational waste by 70 per cent by 2020 and 80 per cent by 2025 (compared to 2014/15), and reducing our CO₂e emissions by 60 per cent by 2030 and 80 per cent by 2050 (compared to 2009) www.lloydsbankinggroup.com/our-group/responsible-business/sustainability-in-lloyds-banking-group. We anticipate achievement of the 2050 target well before this date, driven by both our energy efficiency improvements, direct investment in renewable energy on our sites and through purchasing Renewable Energy Guarantees of Origin (REGOs) to cover our UK electricity consumption. We are now able to state that 100 per cent of our UK electricity comes from renewable sources and to show our commitment to supporting the transition to the low carbon economy, we have joined the RE100 campaign, a collaborative, global initiative uniting businesses committed to 100 per cent renewable energy.

➕ **Environmental section within Directors' Report see page 81**

Governance

We have established a dedicated governance process to provide oversight and ownership of the sustainability strategy. This includes the Responsible Business Committee (RBC), a sub-committee of the Board, which meets quarterly and provides Board level oversight. This committee is chaired by Sara Weller, Group Non-Executive Director and includes the Chairman, Lord Blackwell as a member. At Executive level, we have established a Group Executive Sustainability Committee (GESC), which is a sub-committee of our Group Executive Committee (GEC) and provides oversight and recommends decisions to the GEC. The RBC, GEC and GESC have all been informed on key climate related issues by external industry experts.

We have created a Group sustainability team, supported by divisional Governance Forums and working groups led by divisional Managing Directors. This enables us to have a coordinated approach to oversight, delivery and reporting of the Group sustainability strategy to the GESC, along with a mechanism for keeping management and the Board updated on climate related issues impacting the Group.

For the implementation of the TCFD recommendations across the Group, we have established a senior executive group TCFD forum. We aim to expand the consideration of sustainability and climate related issues into relevant Board and governance committees including processes to monitor and oversee progress against goals and targets related to climate issues. We will also consider how sustainability might be incorporated into our remuneration policies.

Risk management

Each division within the Group is responsible for identifying and prioritising relevant climate related risks and opportunities and integrating them into their risk management processes, which determine materiality and classify risks into traditional risk categories. This includes identifying potential risks through horizon scanning of changes in regulation, technology and consumer demand. Risks are classified in terms of whether they impact the Group in the short, medium or long term. Examples include possible changes in the sustainability of homes, how vehicles are powered, changes in UK energy mix, through to changes in the frequency and severity of extreme weather events. The Group sustainability team facilitates collaboration across divisions to increase understanding of consistent issues, as well as our risk, opportunities and financial impact on an aggregated basis.

During 2018, we reviewed our external sector statements to confirm that they align to our sustainability strategy and consider appropriate climate related risk. We introduced a position statement for coal and revised statements for defence, mining, oil and gas, power, and forestry. For more information on our sector statements www.lloydsbankinggroup.com/our-group/responsible-business/sustainability-in-lloyds-banking-group. In 2019, we will review these statements again, and consider developing statements for other sectors and topics. We will review ways to embed sustainability in the Group's key policies.


Forward looking scenario analysis incorporating physical and transition risk will be utilised across the Group to systematically identify risks and opportunities. During 2018, Commercial Banking undertook forward looking scenario analyses including business as usual and low carbon transition scenarios, identifying sectors with a higher level of climate related risk and opportunity. Detailed assessments are now being undertaken on higher risk sectors to understand the potential financial impact to our customers and to the Group. We will be completing further reviews of higher risk sectors in 2019 to inform portfolio analytics, counterparty risk and financial product development, while increasing the scope to also include other divisions.

Metrics and targets

As part of our TCFD implementation plan we are developing our approach to reporting metrics and targets. This will include a long term reporting framework, enabling us to track our performance against our sustainability strategy, and disclose the financial impact of climate change related risks and opportunities. We will define metrics linked to our green finance propositions and the carbon exposure of our activities. Our targets will have specific time horizons against defined baseline years and will consider the level of historical and forward looking projections that can be made available. We aim to develop this new reporting framework in the first half of 2019 and will start to include key quantified metrics in our next annual report.

We have made sustainability a focus area in our Helping Britain Prosper Plan and have defined metrics for it. We disclose our in-house greenhouse gas emissions, as shown below, with supporting commentary detailed in the directors report Environmental section within Directors' Report see [page 81](#) and our set of in house environmental targets on our website www.lloydsbankinggroup.com/our-group/responsible-business/sustainability-in-lloyds-banking-group.

- + Environmental section within Directors' Report see [page 81](#)
- + Find out more about our set of in-house environmental targets at www.lloydsbanking.com/our-group/responsible-business/sustainabilityinlloyds-banking-group



Clean Growth Finance Initiative

In 2018 we launched a £2 billion Clean Growth Finance Initiative (CGFI) to help British businesses reduce their environmental impacts and benefit from the transition to a low carbon economy. The CGFI aims to be the most inclusive UK green funding proposition available, incentivising all types of businesses to invest in low carbon projects by providing discounted financing for capital expenditure or investment with a green purpose.

CO₂e emissions (tonnes)

	Oct 17-Sept 18	Oct 16-Sept 17	Oct 15-Sept 16 ¹
Total CO₂e (market-based)	115,467 ✓	303,065	340,261 ²
Total CO₂e (location-based)	244,407 ✓	286,892	340,261
Total Scope 1	48,461 ✓	51,419	53,023
Total Scope 2 (market-based)	1,976 ✓	178,771	202,319 ²
Total Scope 2 (location-based)	130,916 ✓	162,598	202,319
Total Scope 3	65,030 ✓	72,876	84,918

¹ Restated 2017/2016 and 2016/2015 emissions data to improve the accuracy of reporting, using actual data to replace estimates.

² Note our market based emissions are equal to location based for 2016/15. This is in accordance with GHG protocol guidelines in absence of appropriate residual factors.

Emissions in tonnes CO₂e in line with the GHG Protocol Corporate Standard (2004). We are now reporting to the revised Scope 2 guidance, disclosing a market-based figure in addition to the location-based figure. The measure and reporting criteria for Scope 1, 2, 3 emissions is provided in the Lloyds Banking Group Reporting Criteria statement available online at www.lloydsbankinggroup.com/ResponsibleBusiness

Scope 1 emissions include mobile and stationary combustion of fuel and operation of facilities.

Scope 2 emissions have been calculated in accordance with GHG Protocol guidelines, in both location and market based methodologies.

- ✓ Indicator is subject to Limited ISAE3000 (revised) assurance by Deloitte LLP for the 2018 Annual Responsible Business Reporting. Deloitte's 2018 assurance statement and the 2018 Reporting Criteria are available online at www.lloydsbankinggroup.com/our-group/responsible-business

Responsible business continued

Non-financial information statement

This section of the strategic report constitutes Lloyds Banking Group's Non-Financial Information Statement, produced to comply with sections 414CA and 414CB of the Companies Act. The information listed is incorporated by cross-reference.

Reporting requirement	Policies and standards which govern our approach	Information necessary to understand our business and its impact, policy due diligence and outcomes
Environmental matters	<ul style="list-style-type: none"> ➔ Environmental statement 	<ul style="list-style-type: none"> ➔ Reflecting the needs of our stakeholders: Communities and environment, page 18 ➔ Helping the transition to a sustainable low carbon economy, pages 24 to 25
Employees	<ul style="list-style-type: none"> ➔ Ethics and Responsible Business Policy¹ ➔ Ethical Policy Statement ➔ Colleague Policy¹ ➔ Code of Responsibility ➔ Health and Safety Policy¹ 	<ul style="list-style-type: none"> ➔ Reflecting the needs of our stakeholders: Colleagues, page 17 ➔ Championing Britain's diversity, pages 22 to 23
Respect for Human rights	<ul style="list-style-type: none"> ➔ Human Rights Policy statement ➔ Colleague Policy¹ ➔ Pre-Employment vetting standards¹ ➔ Data Privacy Policy¹ ➔ Anti-Slavery and Trafficking Statement ➔ Information and Cyber Security Policy 	<ul style="list-style-type: none"> ➔ Reflecting the needs of our stakeholders: Suppliers, page 18 ➔ Championing Britain's diversity, pages 22 to 23
Social matters	<ul style="list-style-type: none"> ➔ Volunteering standards¹ ➔ Matched giving guidelines¹ 	<ul style="list-style-type: none"> ➔ Reflecting the needs of our stakeholders: Customers, page 16 ➔ Reflecting the needs of our stakeholders: Communities and environment, page 18 ➔ Helping Britain Prosper Plan, page 20 ➔ Helping Britain get a home, Helping people save for the future, Supporting business to start up and grow, Building capability and digital skills, page 21 ➔ Tackling social disadvantage across Britain, page 22
Anti-corruption and anti-bribery	<ul style="list-style-type: none"> ➔ Anti-bribery Policy¹ ➔ Anti-bribery policy statement ➔ Anti-money laundering and counter terrorist financing Policy¹ ➔ Fraud Risk Management Policy¹ 	<ul style="list-style-type: none"> ➔ Reflecting the needs of our stakeholders: Customers, page 16 ➔ Reflecting the needs of our stakeholders: Colleagues, page 17
Description of principal risks and impact of business activity		<ul style="list-style-type: none"> ➔ Helping the transition to a sustainable low carbon economy: Risk management, page 25 ➔ Risk overview 2018 themes, page 31 ➔ Our principal risks, pages 32 to 35
Description of the business model		<ul style="list-style-type: none"> ➔ Our Business Model, Page 10
Non-financial key performance indicators		<ul style="list-style-type: none"> ➔ Key performance indicators, pages 6 to 7 ➔ Our strategic priorities, pages 12 to 15 ➔ Helping Britain Prosper Plan, page 20

¹ Certain Group Policies and internal standards and guidelines are not published externally.

² The policies mentioned above form part of the Group's Policy Framework which is founded on key risk management principles. The policies which underpin the principles define mandatory requirements for risk management. Robust processes and controls to identify and report policy outcomes are in place and were followed in 2018.