The sustainability challenge
Opportunities and risks for UK businesses
Globally, sustainability is now part of the fabric of business strategy for organisations of all sizes, and UK companies are leading the way.

The UK has successfully cut carbon emissions faster than any other G7 nation\(^1\), with business delivering a major part of that progress.

This hasn’t been at the expense of profit. The so-called ‘clean economy’ is forecast to grow four times faster than the economy as a whole.\(^2\)

But transition to sustainable business practices can be challenging without support. Whatever the size of your business, we are committed to helping our clients transition to sustainable business models and operations, and to pursue new clean growth opportunities.

Find out in this document how businesses are adapting and why, and how we can help you realise the benefits and manage the risks for a greener and more prosperous future.

Wherever you are on your sustainability journey, Lloyds Bank can help you make savings and improve your environmental footprint.

To find out more about funding and support available from Lloyds Bank, see page 9.
What is sustainability in business terms?

A sustainable business is one that is resilient, and fully connected to the social and environmental systems around it.

For many, this means focusing on the ‘triple bottom line’ of people, planet and profit – setting targets around this and reporting performance to shareholders, investors and stakeholders.

For others, sustainability is just smart business. Ensuring supply chain security against the impacts of climate change, saving on resources and energy, engaging employees and consumers, and building a positive brand.

A study by the University of Reading identified yearly savings of £14,000 from an initial £8,000 investment in carbon monoxide sensors alone for one business.\(^3\)

The UK has cut carbon emissions by 42% since 1990 while the economy has grown by 67%\(^4\)

Source: UNFCCC; World Bank; BEIS

From HM Government, The Clean Growth Strategy, October 2017
“The private sector is recognising that financing the transition to a low carbon economy will be a major opportunity. On some estimates, this transition could require investments in infrastructure equivalent to $6 trillion per year through to 2030.”

Mark Carney, Governor of the Bank of England
Why sustainability matters

Sustainability has become a source of differentiation and innovation. The UK’s low-carbon economy – which encompasses a range of products and services across energy, buildings, transport and finance – supports 430,000 jobs. It has a growth potential of 11% per year until 2030, according to research by the Government’s Committee on Climate Change.

As well as opportunities, there are risks businesses need to manage:

**Transition risk** – the impact from any changes in regulation, markets or technology from the global transition to a lower-carbon energy supply.

**Physical risk** – damage and disruption caused by weather events or the availability of natural resources.

**Reputational risk** – unsustainable business practices can cause negative publicity and damage brand value, customer loyalty and investor confidence.

The decarbonisation of business is at the heart of the Government’s Clean Growth Strategy. This is placing pressure on all businesses to look at energy supply and efficiency. The Bank of England has identified climate change as a material threat to financial stability. It recommended that organisations report on climate-relevant information as part of their annual filings.

Evidence shows younger potential employees are heavily influenced by a company’s values. 60% of millennials said it’s critical to work somewhere that aligns with their purpose and values.

Consumer power is also an important factor. A major survey of global attitudes among ‘Generation Z’ found that 66% are willing to pay more on products from sustainable brands, with brand trust and reputation being the key factor influencing behaviour.
“There is not only money to be saved through energy efficiency, there is also money to be made.”

The International Energy Agency
The global sustainability movement

In 2015, the United Nations set out 17 sustainable development goals to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.\(^{14}\)

The Paris Agreement
The world united to fight climate change in 2015, when 196 countries agreed a deal to limit global warming to below 2°C above pre-industrial levels.

The agreement is part of the UN Framework Convention on Climate Change, which deals with the mitigation of greenhouse gas emissions, adaptation to lower-carbon economies and the finance to do so.

Since the 2015 meeting, 197 UNFCCC members have signed the agreement, and 180 have become party to it.\(^{15}\)

“Sustainable development is that which meets the needs of the present without compromising the ability of future generations to meet their needs.”\(^{16}\)

(Accepted definition)
Gro Harlem Brundtland, Chairman, World Commission of Environment and Development
The benefits of sustainable business

- Cost savings from reduction in the use of resources
- Improved efficiency and increased productivity
- Recruitment and retention of talent
- Consumer choice and brand value
- Innovation, competitive advantage and revenue growth
- Meeting client expectations and suitability for tenders and contract bids
- Shareholder and stakeholder satisfaction
- Regulatory compliance

Thirsk youth activity centre is set to cut costs and become more sustainable after installing 40 solar panels with support from Lloyds Bank.
How can we help you become more sustainable?

Funding from Lloyds Bank can support a broad range of investments in sustainable business – from small improvements in environmental impact, right through to large-scale renewable energy infrastructure.

**Clean Growth Finance Initiative**
You can access discounted lending for green purposes through our Clean Growth Finance Initiative – which aims to be the most inclusive proposition in the market. We’ve teamed up with leading sustainability consultants to develop a list of qualifying green purposes.17

These include:

- Reduce emissions
- Energy efficiency
- Low carbon transport
- Reduce waste and recycle
- Improve water efficiency

Whatever level of support you need for your sustainability goals, talk to your Relationship Manager to find out more.

**Commercial Real Estate**
Corporate Real Estate clients can access discounted Green Loans to improve estate energy efficiency.

**Renewable Energy Sector**
In 2018 we launched a new target to help provide power for five million homes by 2020, through our support for renewable energy projects, such as offshore wind farms.

**Supporting you with sustainability strategy**
We partnered with the University of Cambridge Institute for Sustainability Leadership to create a relationship manager training programme.

The training is designed to help us support clients in the fast-moving landscape of sustainability.
Clean Growth Initiative funds ‘green’ London buses

A new fleet of hybrid and electric buses is arriving on the streets of London in the first deal from Lloyds Bank’s Clean Growth Finance Initiative.

The purchase of the new vehicles is supported by a £50m Asset Finance facility that has been used by bus provider Metroline to fund its fleet renewal programme.

**Metroline used the first tranche of funding, totalling £10m, to buy 37 new double-decker hybrid buses for the capital.**

The fleet renewal is in line with London Mayor Sadiq Khan’s plans to make the capital the world’s greenest global city.

To support this initiative, Transport for London (TfL) is committed to operating low-emission transport across London, with a target to reduce carbon dioxide emissions by 60% by 2025.

Kim Collins, Relationship Director at Lloyds Bank Commercial Banking, said: “This investment shows a continued commitment to offering low-emission transport, underlining London’s role as a global pioneer in the move towards cleaner city-wide transport networks.”

Metroline is one of Transport for London’s largest bus providers and has a fleet of over 1,600 carrying more than one million people on almost 100 routes each day.

**Our Clean Growth Finance Initiative provides discounted funding across a broad range of green purposes to help businesses transition to a lower carbon, more sustainable future.**

“Accessing the Lloyds’ funding to invest in our fleet has given us the strong platform to make a real difference.”

Ishai Novick, Finance Director of Metroline
Our approach to sustainability

Our purpose is to Help Britain Prosper and a prosperous economy requires a healthy environment.

We are committed to supporting the UK’s Clean Growth strategy by providing funding for sustainability projects, financing renewable energy infrastructure transactions and helping you with the transition to a sustainable business model.

We are actively managing our own environmental impacts too. In 2018 we have launched stretching new environmental targets.

Awards won by Lloyds Banking Group

- Best UK Bank 2018
- Best Bank in Western Europe for Corporate Responsibility 2018
- Responsible Business of the Year 2018

Our 2018 environmental targets

- 60% reduction in CO2e by 2030
- 80% reduction in CO2e by 2050
- 50% reduction in energy consumption by 2030
- 60% reduction in travel related CO2e by 2030
- 40% reduction in water consumption by 2030
- (at least) 25% reduction in operational waste by 2030

CO2e = carbon dioxide equivalent
Green Frog Power has secured funding to finance 11 new gas-fuelled power stations.

Once online, the power stations will help ensure the UK’s energy resilience, allowing renewable sources to contribute more power to the grid.

The new sites are set to boost Green Frog Power’s total output to 750MW – enough to power more than a million homes.

Next steps for sustainability

We will continue to update our range of sustainability products, and our commitments.

You can find out more about the UK’s Clean Growth Strategy here: www.gov.uk/government/publications/clean-growth-strategy

And read our commitment to Helping Britain Prosper here: www.lloydsbankinggroup.com/prosperplan

If you would like more information on green funding, or to discuss sustainability strategy, please contact your Relationship Manager.
Sources

3. From sustainability to profitability: maximising efficiency and productivity, University of Reading http://www.reading.ac.uk/web/files/innovativeconstructionresearchcentre/ICRC_Kwawu_ThinkFM_presentation.pdf
15. https://unfccc.int/process/the-paris-agreement/status-of-ratification
Important information

All lending is subject to status

Our service promise

If you experience a problem, we will always try to resolve it as quickly as possible. Please bring it to the attention of any member of staff. Our complaints procedures for businesses with an annual turnover of up to £25m are published at lloydsbank.com/business/contactus and for businesses with an annual turnover of £25m or more they can be found at commercialbanking.lloydsbank.com/contact-us/

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We adhere to The Standards of Lending Practice which are monitored and enforced by the LSB: www.lendingstandardsboard.org.uk. The Standards of Lending Practice apply to businesses which have an annual turnover of no more than £6.5 million.

Eligible deposits with us are protected by the Financial Services Compensation Scheme (FSCS). We are covered by the Financial Ombudsman Service (FOS). Please note that due to FSCS and FOS eligibility criteria not all business customers will be covered.

Lloyds Banking Group is a financial services group that incorporates a number of brands including Lloyds Bank. More information on Lloyds Banking Group can be found at lloydsbankinggroup.com.