

Mr. Charlie Nunn
Executive Director and Chief Executive Officer
Lloyds Banking Group
25 Gresham Street
London EC2V 7HN
UK

Thursday 8 December 2022

Dear Mr. Nunn,

I am writing to share ShareAction's 2022 banking survey '**In Debt to the Planet. An assessment of the 25 largest European banks' biodiversity and climate strategies.**'. We are extremely grateful for your contribution to our report and for all the positive engagement we have had this year with Lloyds Banking Group.

With COP27 now behind us and little progress made, we need the financial sector to lead the way if we are to reach the Paris climate goal net-zero by 2050. Banks have the opportunity to play a critical role by reducing the financing of harmful activities and increasing the finance to low-carbon alternatives.

The report assesses the themes critical to achieving net zero by 2050 and ranked banks based on the performance of their policies. We also highlight leading practice and call out banks whose policies are falling behind their peers.

Our research shows that Europe's largest banks are not yet doing enough to address the twin crises of climate change and biodiversity loss. This exposes banks to risks which pose a serious threat to future revenue and reputation, as well as posing material risks to our planet and everyone on it. While we recognise that the turbulent economic and political environment this year has created challenges, we urge banks to urgently strengthen their climate change and biodiversity policies.

Based on our analysis, your organisation ranked 5th with an overall score of 50% which is equivalent to a B grade. The climate change section of our questionnaire accounting for two-thirds of the marks. Lloyds Banking Group scored 54% of the points in the climate section and 40% in the biodiversity section. We would like to commend Lloyds Banking Group for the leading practice case studies on progressively tightening financing to oil & gas and the commitment to reduce the emissions it finances by more than 50 per cent by 2030.

To support you with identifying priorities for 2023, we have outlined three key asks for climate change and one key ask for biodiversity for Lloyds Banking Group which will be the focus of our engagement next year:

- Publish a plan by end 2023 at the latest to restrict financing at the corporate level for new oil & gas. This can include:
 - a. A commitment to require clients to publish transition plans by a specific date, setting out red lines for it and specifying that these plans must prohibit the development of new oil & gas fields;
 - b. A commitment to exclude oil & gas companies with expansion plans.
- Go beyond what reference scenarios require by adding a buffer to any targets that the bank sets. This is even more critical where 1.5C-aligned scenarios are not available.
- Introduce corporate financing restrictions for companies that are highly exposed to unconventional oil & gas. These restrictions should be ratcheted up over time to lead to a phase out and cover companies that have a diversified asset base but remain large unconventional producers or developers.

Biodiversity loss poses material risks to banks and requires urgent action. We encourage Lloyds Banking Group to prioritise taking action on biodiversity loss with the same urgency as climate change and publish a standalone biodiversity strategy ahead of its 2024 AGM.

We are committed to engaging with and supporting Lloyds Banking Group in the development of its policies and targets, and hope that our constructive dialogue will continue throughout 2023. As a next step, the banking team would appreciate the opportunity to present our report to you in the new year. Leyla Arpacioğlu, Engagement Manager (Banks – Climate change and Biodiversity), will be in touch shortly to organise this with you.

I truly wish you and your team a wonderful Christmas break and I'm looking forward to building on our valuable relationship in 2023.

Warm regards,



Catherine Howarth

CEO

ShareAction

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