

## **ClimateWise Principles**

Both the LloydsTSB and HBOS groups were founding signatories to the ClimateWise principles. Following the acquisition of HBOS by LloydsTSB, Lloyds Banking Group was established in January 2009 and remains fully engaged with and committed to the ClimateWise initiative.

This document provides a short summary of our commitment to the ClimateWise principles and is supported by the most recent Corporate Responsibility Reports for both LloydsTSB and HBOS.

### **1. Lead in risk analysis**

- Lloyds Banking Group (LBG) continues to support the ABI on a number of climate change projects. Research has focused on flood resilient reinstatement of domestic properties and surface water risk assessment and reduction strategy, preparing flood prone areas for severe weather events.
- LBG continues to support the call for more accurate weather forecasting as per the Pitt report and is currently in negotiations with software providers to allow the use of windstorm prediction and assessment software on our Household insurance book, allowing a greater understanding of the occurrences of storm and the potential impact on our customers.
- New home insurance products launched by LBG in late 2008 include a question about Energy Efficiency, which benefits and rewards customers with more energy efficient homes with more affordable insurance.
- We continue to monitor reinsurance data. Feeding this into our risk analysis complements our understanding of the effects of exceptional weather events on our book.
- LBG identifies areas of the country which are at greater risk of flood, via a variety of methods, to inform levels of pricing, capital and reserves.
- Data on soil type across all of the United Kingdom is used when pricing buildings insurance to give an enhanced understanding of subsidence and heave. Soil Moisture Deficit is also closely monitored by our Risk Pricing and Claims areas to ensure potential subsidence events are identified quickly and reacted to.
- Depending on brand, in postcode areas where subsidence is deemed to be a potential issue for buildings insurance an extra question is asked to understand the property's proximity to trees. This gives LBG an opportunity to advise the customer of the potential subsidence hazard this could cause.

### **2. Inform public policy making**

- LBG actively engages in public debate on climate change and in the past 12 months has responded to several government consultations and initiatives including the Carbon Reduction Commitment and the Climate Change Act.
- LBG continues to work with the ABI on a number of climate change related activities, including:

- Taking a key role in the review of the Flood Statement of Principles and supporting this work as part of the annual review process.
- LBG General Insurance remains committed to the ABI / Government statement of principles on flooding which ensures that the majority of the nation will be able to continue to protect themselves against flooding by the purchase of flood insurance cover.
- LBG has representatives on the ABI Property Committee and on the Institute Of Actuaries Climate Change Working Party.
- Lloyds TSB is leading the European CSR Alliance Laboratory on the Communication of Non-Financial Performance and is a member of the CBI Working Group on Climate Reporting, which is chaired by Insight Investment.

### **3. Support climate awareness amongst our customers**

- LBG General Insurance continues to develop action plans which inform customers of the risks associated with climate change. The balance between an informative one and one which may raise alarm has been sought by making the information available in an everyday way. For example, LBG websites contain tips and advice on what action to take in the event of a flood.
- During Summer flooding in June 2009 an LBG press release advised customers on the steps to take to protect their homes in the event of a flood occurring.
- Depending on brand, LBG Insurance customers receive a magazine and this will act as a channel of communication to customers on issues such as climate change during the coming year.
- LBG offers cover for environmentally friendly products such as solar panels, wind turbines and generators as standard within the policy wording. During 2009, LBG has taken part in the FSA's thematic review of climate change related policy wording to ensure that our documentation supports climate awareness.
- By asking customers about the energy efficiency of their homes in the process of selling home insurance, we hope to prompt customers into reviewing the action they can take to improve this efficiency.
- LBG's internet portal for small businesses provides advice on improving their environmental performance. [www.smallbusinessjourney.com](http://www.smallbusinessjourney.com)
- Work continues to understand the viability of offering sustainable repairs/replacements to customers via the claims process and we continue to examine opportunities to improve our underwriting footprint to accommodate climate change.
- Further details of our approach can be found in our Corporate Responsibility report.

### **4. Incorporate climate change into our investment strategies**

- Social, ethical and environmental issues are among the many issues considered when making investment decisions. Further details of how LBG's asset management firms – Insight Investment & SWIP – incorporate environmental issues into their investment strategies are available in the following reports:
  - [http://www.insightinvestment.com/global/documents/riliterature/821270/ri\\_policy.pdf](http://www.insightinvestment.com/global/documents/riliterature/821270/ri_policy.pdf)
  - <http://www.swip.com/sites/docs/SiteCollectionDocuments/SWIP%20Document%20Test%20Folder/41790.pdf>
- Further details on LBG's general approach to responsible investment are enclosed in our Corporate Responsibility reports

## 5. Reduce the environmental impact of our business

- Both Lloyds TSB and HBOS have strong track records in reducing their carbon emissions. In Lloyds TSB, we published a target to reduce our CO2 emissions by 30% by 2012, based on 2002 levels. By the end of 2008 the Group had cut its emissions by 31%, exceeding the target four years ahead of schedule. HBOS had already purchased 100% renewable electricity to significantly reduce its total CO2 emissions. It also had a target to reduce CO2 emissions by a further 5% by 2010. The priority in 2009 for the Lloyds Banking Group is to baseline our environmental footprint across the combined organisation. We have set a short term target to reduce energy consumption by 6% in 2009.
- Both HBOS and LTSB were carbon neutral. However, the introduction of the Carbon Reduction Commitment and the change in the way DEFRA treats renewable electricity purchased from the grid, has led us to review our approach to carbon neutrality. We have decided to focus our efforts on reducing further our CO2 emissions and will no longer buy carbon allowances or voluntary emissions reductions to be carbon neutral.
- Full details of our environmental performance can be found in our Corporate Responsibility reports.

## 6. Report and be accountable

- Lloyds Banking Group publishes full details on its environmental performance in its Corporate Responsibility reports – which can be found at:

[http://www.lloydstsb.com/media/lloydstsb2004/pdfs/corporate\\_report\\_2007.pdf](http://www.lloydstsb.com/media/lloydstsb2004/pdfs/corporate_report_2007.pdf)

[http://www.lloydstsb.com/media/lloydstsb2004/pdfs/corporate\\_review\\_2007.pdf](http://www.lloydstsb.com/media/lloydstsb2004/pdfs/corporate_review_2007.pdf)

[http://www.lloydsbankinggroup.com/media/pdfs/HBOS\\_2007\\_Corporate\\_Responsibility\\_Report.pdf](http://www.lloydsbankinggroup.com/media/pdfs/HBOS_2007_Corporate_Responsibility_Report.pdf)

- HBOS also published a separate Climate Change Report in 2008, a copy of which is embedded.



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