

COMMERCIAL BANKING

Building a greener future

How SME Real Estate is tackling sustainability challenges

By the side of business



LLOYDS BANK

Introduction

While the long-term effects of the coronavirus pandemic will take time to emerge, we can already see that environmental concerns are sure to have moved further up the nation's agenda. Cleaner air, reduced traffic and a new appreciation of open green space were among the unexpected secondary benefits of the crisis, and there can be no doubt that many will be pressing governments, authorities and businesses to maintain and further develop these environmental benefits into the longer term.

A renewed understanding of the importance of shared purpose and collective action has been another positive to draw from the pandemic. Businesses have been applauded for pivoting their activities to support the communal effort, and this too is an outcome that many will no doubt want to see continue. Consumers want businesses to act responsibly, whether it's looking after their workforce, their customers or their community, as well as the wider environment.

Businesses are now looking harder at what they can do to accelerate their efforts to be more sustainable, to minimise climate-change risks to their own business, and to support their communities more in a changing world. People are recognising while investments for a better future need to maximise returns financially, this also needs to incorporate social and environmental responsibility.

But of course, significant reductions of carbon emissions require entirely new ways of living and working for our customers and clients, as well as changes in how Lloyds Banking Group operates as we transition to a low carbon future. For their part, property developers, investors and owners may need to seek expertise from partners that share a similar outlook, to help them navigate these new challenges.



At Lloyds Bank we care deeply about sustainability both in our own operations and in how we can help our customers become greener. We can support your sustainability plans, whether it's funding for new buildings, refurbishment or reconfiguration of existing buildings, or investment in other sustainability initiatives.

In this guide you can see how we are:

- introducing a new tool that enables you to identify, evaluate and understand the return on potential investment to make your property more sustainable and energy efficient
- supporting you to build a greener future by helping finance your initiatives to reduce your carbon footprint by improving your buildings' environmental efficiency
- creating innovative finance solutions for sustainability projects.

Doing the right thing can also make sound business sense too, and we're here to support you on your sustainability journey.

Our sustainability credentials:



Financing a greener future together

If your business wants to invest in tackling climate change, we offer support through our Clean Growth Financing Initiative. This £3bn Fund offers discounted finance to clients investing in a lower-carbon future.

Benefit from expertise

The transition to sustainable business practices can be challenging without the right support. It helps to work alongside experts who understand the sustainability landscape and have experience of working with a range of partners on a wide variety of green projects. From offshore windfarms to social housing, we have provided discounted funding for environmental initiatives.

Alongside our track record in supporting clients with green and sustainably-linked financing, over 700 Lloyds Bank relationship managers have undertaken training on climate change and sustainability-related risks and opportunities, in collaboration with the University of Cambridge Institute for Sustainability Leadership.

You can be sure that sustainability is at the heart of our support for your business. Our efforts have been independently recognised – Lloyds Bank has won Real Estate Capital – Sustainable Finance Provider of the Year 2019 Europe.

“Since 2017 we've helped clients improve the energy efficiency of 17.4m square foot of real estate.”



Amanda Dorel,
Regional Director, Joint Head of
Real Estate, SME



Paul Evans,
Regional Director, Joint Head of
Real Estate, SME

Greener buildings at a glance

A new tool uses exclusive business-case data to enable you to optimise potential energy efficiency investments of your property portfolio depending on their sustainability, investment and cost saving priorities.

Assessing the opportunity for making energy-efficient improvements in buildings is an essential activity for property owners and buyers at several stages: prior to purchase, during renovation, or as part of scheduled maintenance. Now a simple but powerful new digital tool enables business customers of Lloyds Bank to understand their property portfolio in a way that is as insightfully granular as it is cost-effective.

Our new database and calculator, the Green Buildings Tool, can analyse precisely how a range of energy-saving initiatives would affect the energy performance certificate (EPC) rating of buildings. It can show which properties offer the most profitable business case, potentially saving considerable time and effort in the analysis and sourcing of properties and portfolios.

Identifying savings at a glance

Built in association with sustainability consultancy CFP Green Buildings, the tool calculates potential savings by combining benchmark data from CFP's expert system with best practices in the areas of technology, operations, maintenance and management. It is the largest data system in Europe, and uses proprietary information that's not publicly available.

Using the tool, you will be able to see potential energy-saving and EPC improvement measures at both building and portfolio level. Every measure, building and building portfolio is assigned a quantifiable business case value, with details of investment, savings, CO2 reduction and time to recoup costs. Potential savings and relevant investment are linked to give an overview of the energy-efficiency measures that can be implemented. By using online technology, big data and internet sources, the tool can deliver insight into sustainability at a fraction of the price of an on-site assessment.



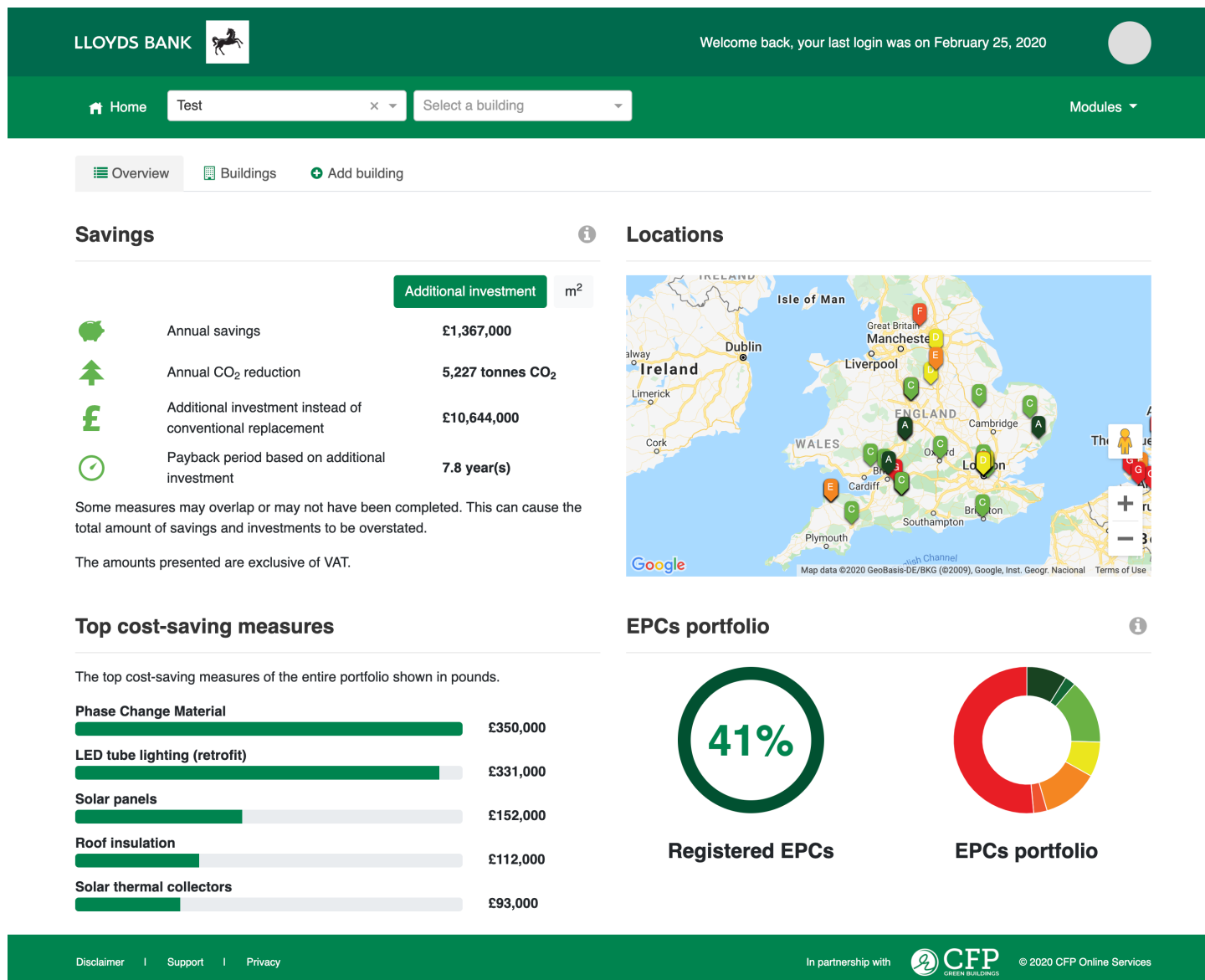
Carbon savings and maximised profitability – a virtuous circle

The Green Buildings Tool will help our clients to maximise profitability and optimise sustainability across their properties, regardless of their size. Clients will be able to plan and budget for their sustainability and energy-saving initiatives in a much more efficient way – and Lloyds Bank can provide financing for the introduction of sustainability measures.

Some 500 buildings within the City of London have already been evaluated by the tool, with the analysis identifying a massive 40,000 tons of potential CO2 savings so far. Overall, it's calculated that UK businesses could save £4.5 bn on their energy bills by 2030, by taking appropriate steps concerning their carbon footprint.

Talk to your Relationship Manager to ask about the tool and how it could help you focus your spend more effectively.





This screenshot of the dashboard of our new simple but powerful digital tool shows how business customers can understand their property portfolio at both a granular building-by-building level and also have a clear view of top-line savings and costs.

“Heating in buildings and industry creates around 32% of total UK emissions.”

Source BEIS – UK Government Clean Growth Strategy

The Lloyds Bank Green Buildings tool gives “a really good indication of potential savings and costs associated with improvements as well as the environmental impact and reduction in carbon by the changes”

- Chris Scorer of Crowding Bricks Limited

“This innovative tool allows our clients to understand the efficiencies of owned or target properties, as well as the cost and payback period of short, medium or long term improvements. Not only does this encourage investment but allows for accurate budgeting regardless of portfolio size, which is critical for business cashflow. It’s also a clear demonstration of Lloyds Bank’s commitment to support sustainable businesses that invest in property.”

- Elliot Brown - Real Estate Relationship Director, Lloyds Bank





Innovative residential scheme powered entirely by on-site green energy sources

Lloyds Bank Commercial Banking has funded a pioneering residential apartment scheme – the Deal House. Powered completely by green energy with zero carbon footprint, it's one of the first buildings of its kind in Yorkshire,

Developer and landlord, Euroconnect Properties has completed a multi-million-pound transformation of an old retail centre in Waterloo, Huddersfield, bringing to market 29 homes powered entirely by renewable energy.

Lloyds Bank Commercial Banking backed the developers with a seven-figure commercial loan for the project. The installation of more than 200 solar panels to generate electricity and a ground source heat pump provide central heating and hot water to all the residents and the commercial units in a sustainable and eco-friendly way.

Money saving

The renewable energy sources will help to reduce costs across the building by more than £35,000 each year, including incentives the Government Renewable Heat Incentive and the Electric Feeding Tariff schemes.

The funding from Lloyds Bank forms part of its pledge to lend up to £1.4 billion to Yorkshire firms in 2020.

Completion of the final stage of the redevelopment brings an additional 18 new one and two-bed duplex apartments available to rent at the Wakefield Road site. Three new ground floor retail units are also now occupied by Subway, Domino's and Coral.

Originally built as a cinema, the site was taken over for retail use in 1978 by Lodges Supermarket, with Euroconnect Properties purchasing the building in 2014 for redevelopment.

New ultra-low energy projects planned

The developer, led by Kami Sodhi and Simmi Sekhon, is also planning to bring another 42 new apartments to market in Huddersfield. This other scheme will meet ultra-low energy standards and be powered by ground source heat pumps.

“The new apartments at Deal House are perfect for young professionals and mature students. They are completely green, comfortable and very well equipped. They each have a modern design and are fully furnished, while retaining some of the buildings' original, historic features”, said Sodhi.





Protecting the environment

“The team at Lloyds Bank has been an excellent partner for this project, helping us to give a new lease of green-powered life to the building. We feel proud to be able to contribute to one of the most urgent challenges of our time,” said Kami Sodhi, Director at Euroconnect Properties.

“The protection of our environment cannot wait and we all need to take responsibility and do as much as we possibly can to leave a healthy planet for the future generations.”

Proud to back green businesses

Kelly Roberts, Relationship Director at Lloyds Bank, said: “It’s so important for new housing to provide high levels of energy efficiency, particularly as we set out towards net-zero emissions by 2050 in response to the climate crisis.

“It’s excellent to see developers like Euroconnect Properties leading the way in building homes fit for the future, going above and beyond building regulations for energy efficiency. We’re proud to be by its side as we back more firms that help Britain prosper.”

Lloyds Banking Group leading by example

12

Lloyds Banking Group has an extensive estate of buildings that we occupy either as freeholder and as a tenant on a leasehold basis. Reducing the carbon footprint of our own operations is a critical foundational element to our group sustainability strategy.

Our carbon reduction progress

Since 2009, we have reduced our carbon emissions by 63%. Key to achieving this was an extensive energy optimisation programme, reducing our gas and electricity consumption by 43%. We work with our energy management partners to undertake continued optimisation of building management systems, ensuring that heating, ventilation, air conditioning and lighting systems are matched to building usage.

We have been sourcing renewable electricity for our UK operations since 2018, through a mix of direct sourcing from renewable projects (~25%) and the purchase of renewable energy certificates. We aim to increase the proportion of electricity sourced through new renewable projects to at least 60% by 2025. In early 2020, we began an engagement programme with our landlords, to understand where we occupy buildings powered by renewable electricity and identify opportunities to extend renewable electricity sourcing.

Accelerating our action on climate

We continue to pursue our long-term target to reduce emissions by 80% by 2050 and will accelerate our activity in 2020, developing new carbon, energy and travel targets. We are continuing with existing targets to reduce operational waste by 80% by 2025, compared to 2014/15, and water consumption by 40% by 2030, compared with 2009.

We know this won't be easy, but it matters to us. By collaborating and innovating with our suppliers, partners and leading global organisations, we believe that the solutions are within reach.

**“We have reduced
our carbon
emissions by
63% over the
last decade.”**

Lloyds Banking Group

**“We now source
100% renewable
electricity for
all our own
buildings”**

Lloyds Banking Group



How we can help you

SME clients can access green and sustainability-linked financing to improve the energy efficiency of their estates.

We can help support your sustainability plans with financing, whether for the development of new sustainable buildings, the refurbishment or reconfiguration of existing buildings, or to invest in other efficiency initiatives to drive sustainability performance.

We welcome early discussions to see how we can help. This may be by providing funding with discounted pricing using our £3bn Clean Growth Financing Initiative, or by sharing best practice through our real estate communities. Other incentives may also be available, such as reimbursing technical design or energy audit costs, for projects that lead to impactful energy efficiency investment.

Don't forget to ask your relationship manager for access to our **new Green Buildings Tool**, to help you analyse which energy-saving initiatives could work best for you.

All lending is subject to status

Want to know more?

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

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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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Please contact us if you would like this information in an alternative format such as Braille, large print or audio.

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We adhere to The Standards of Lending Practice which are monitored and enforced by the LSB: www.lendingstandardsboard.org.uk and apply to businesses which have an annual turnover of no more than £25 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.