

COMMERCIAL BANKING

Building a greener future

How real estate and housing are tackling sustainability challenges

By the side of business



LLOYDS BANK



Introduction

Inside this guide

- > [Financing a greener future together](#)
- > [Greener buildings at a glance](#)
- > [Driving innovation, the sustainable way](#)
- > [Clarion pioneers with sustainability bond for greener homes](#)
- > [Lloyds Banking Group leading by example](#)
- > [How we can help you](#)
- > [Further information](#)

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.

Businesses have been applauded for pivoting their activities to support the communal effort

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:



**Real Estate
Capital**
AWARDS 2019

Sustainable Finance Provider
of the Year: Europe



CLIMATE



Financing a greener future together



Financing a greener future together

From simple improvements such as energy-efficient lighting systems, right through to large-scale renewable energy infrastructure, we can help finance improvements to increase the environmental efficiency of business' buildings. If you're looking to reduce the carbon footprint of your estate, there are ways we can help – both with finance and by helping you focus your efforts in the most effective way.

If your business wants to invest in tackling climate change, we offer support through our industry-leading Green Lending Initiative. The £1bn scheme 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. In addition, more than 70 colleagues have received real estate sustainability training with environmental, social and corporate governance (ESG) specialist Hillbreak. 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 through the Green Lending Initiative.”



Madeleine McDougall,
Managing Director,
Joint Head of Real Estate and Housing



Andy Hulme,
Managing Director,
Joint Head of Real Estate and Housing

Greener buildings at a glance



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.



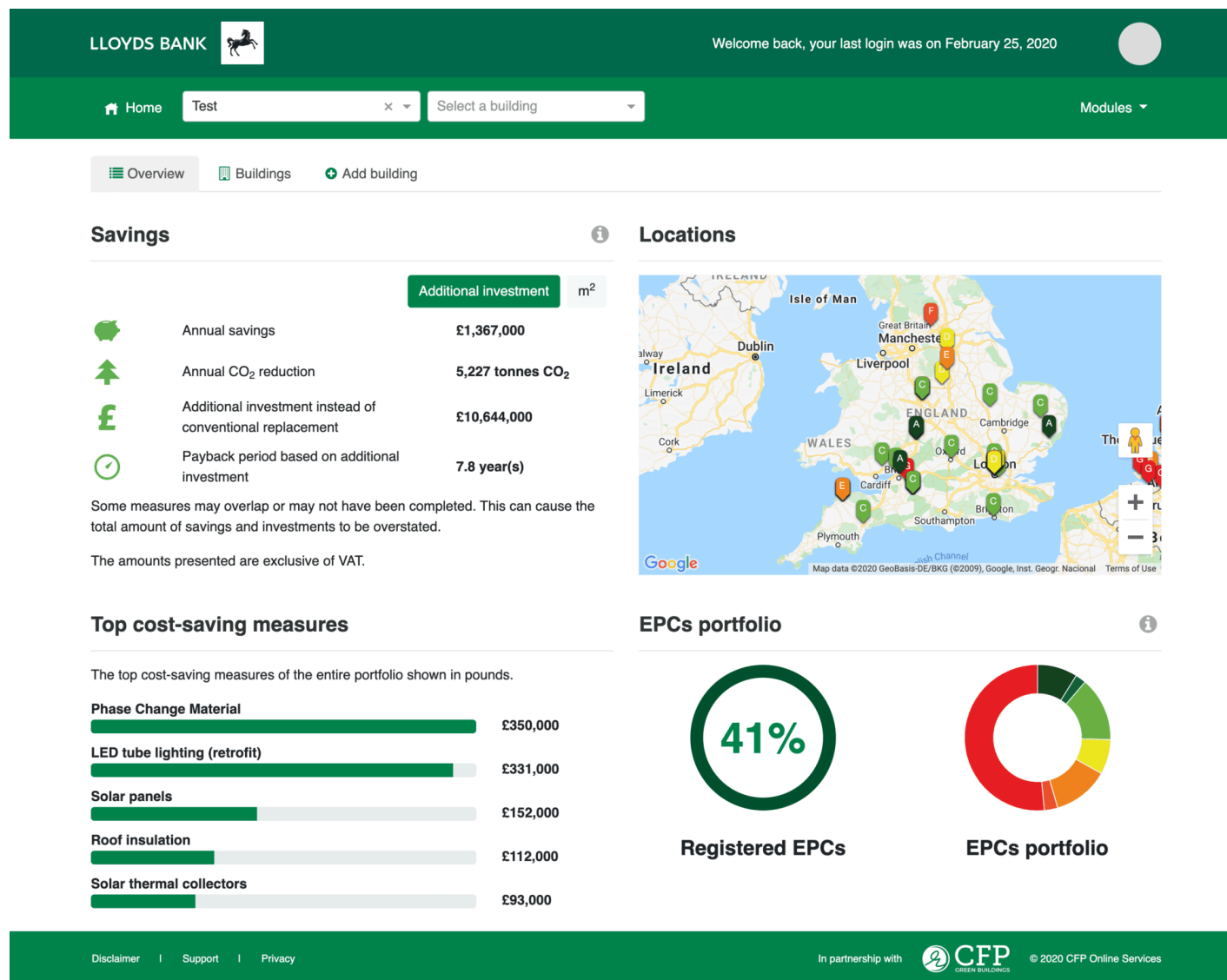
Carbon savings and maximised profitability – a virtuous circle

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



**Driving
innovation, the
sustainable way**

Driving innovation, the sustainable way

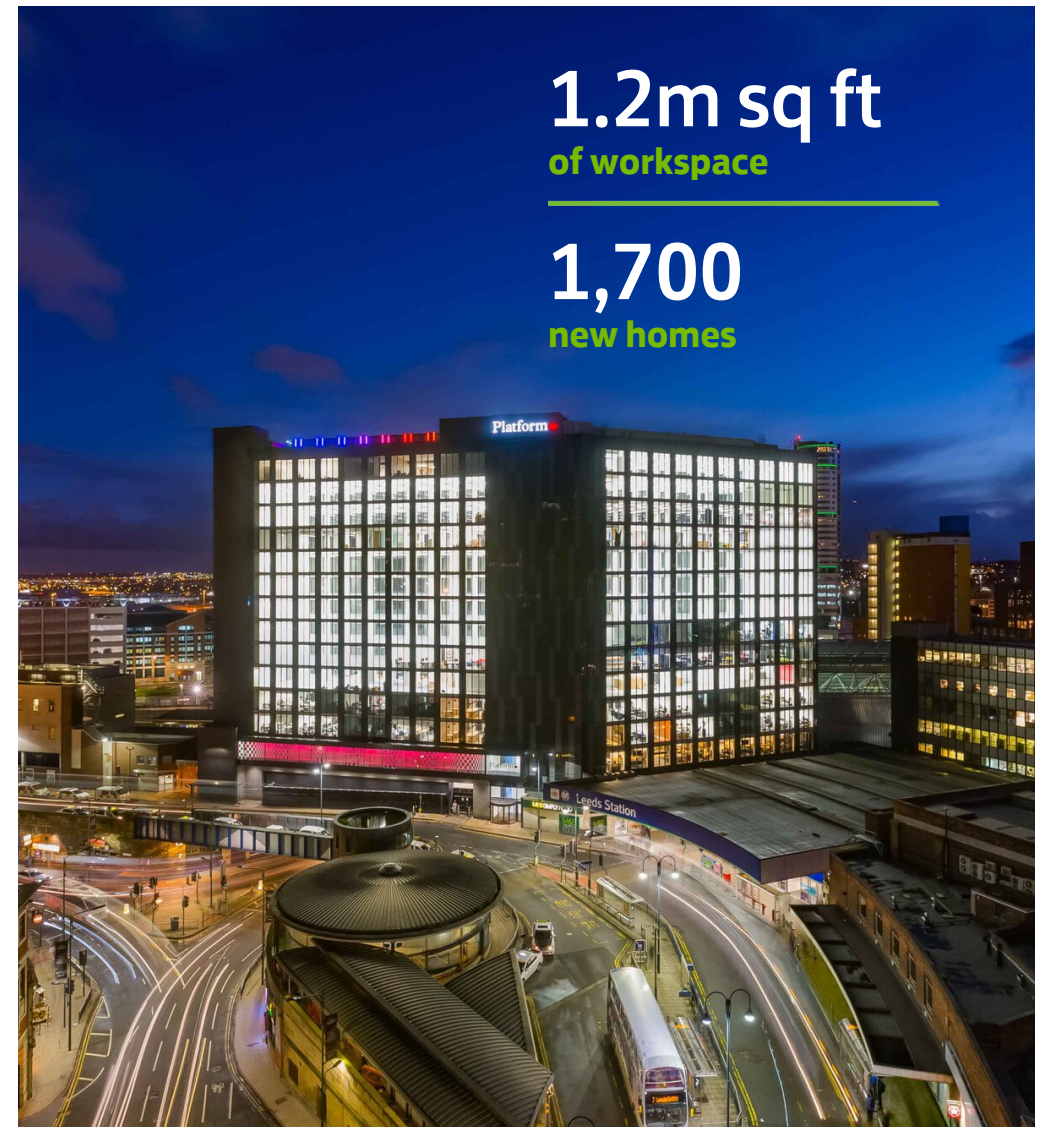
Landmark funding from our Green Lending Initiative underpins the sustainability efforts of a key real estate provider for UK innovators.

Bruntwood SciTech – the only UK property business dedicated to development in the science and technology sector – has agreed a three-year, £185m funding deal with Lloyds Bank acting as the Green Coordinator to support its sustainable development and growth.

The business, a joint venture between leading property company Bruntwood and Legal & General, is using £60m of the funding to develop 400,000 sq ft of specialist workspace.

This will be located at 2, 3 and 4 Circle Square, Manchester's new city centre neighbourhood, which itself is a joint venture between Bruntwood SciTech and Vita Group.

Located in the centre of Manchester's Oxford Road Corridor innovation district – close to the city's universities, hospitals and cultural institutions – Circle Square is set to provide 1.2m sq ft of workspace, 100,000 sq ft-plus of retail and leisure space, and 1,700 new homes through Vita Group.





Financial benefits for green achievements

Under the conditions of the £60m Green Loan tranche of the financing, Bruntwood SciTech will secure a discount on its funding costs if it achieves a BREEAM (Building Research Establishment Environmental Assessment Method) Excellent rating for the three new buildings on their expected completion in 2021. The company will also sign a so-called 'Green Memorandums of Understanding' with occupiers, in which they agree to support ongoing environmental best practice while using the facilities. The remaining £125m of the funding package will be used as an investment loan to refinance elements of Bruntwood SciTech's specialist property portfolio, under the terms of Lloyds Bank's Green Lending Initiative.

Bruntwood SciTech will secure a discount on the investment loan by agreeing to fulfil bespoke 'Green Covenants'. The developer has committed to delivering an investment of £3.5m into sustainably linked improvements across its estate, covering things such as combined heat and power, storage batteries, and small-scale renewable energy. It has also pledged to reduce the energy intensity of its portfolio by more than 10% over the lifetime of the loan.

Accelerating sustainable growth

“Our assets are powering the future of the UK’s knowledge economy, helping to create thriving innovation clusters, like Circle Square, and supporting new breakthroughs in bioscience and the tech industry,” says Kate Lawlor, Finance Director, Bruntwood SciTech.

“We’ve seen significant demand for our specialist workspaces and labs – from start-ups and scale-ups, to leading global companies.

“This new funding agreement gives us the platform to accelerate our growth sustainably, providing customers with access to facilities that are tailored to their specific needs and have minimal impact on our environment.”

Bruntwood has a Gold Low Carbon accreditation, which it will now aim to secure across the Bruntwood SciTech



“We’ve seen significant demand for our specialist workspaces and labs – from start-ups and scale-ups, to leading global companies.

estate. It has also announced a pledge to be Net Zero Carbon across its new buildings by 2030, and old buildings by 2050.

“By using our Green Lending Initiative, we’re able to help Bruntwood SciTech

achieve its vision while supporting its sustainable investment in the future of the UK”, says Richard Heath, Managing Director, Private Groups, Real Estate and housing.



Clarion pioneers with sustainability bond for greener homes



Clarion pioneers with sustainability bond for greener homes

Clarion Housing Group is the UK's largest provider of affordable housing, with around 125,000 homes across more than 170 local authorities. Its mission is to provide and maintain good quality housing for its residents, and to build communities through high-quality design and place-making.

A charitable social landlord, it reinvests its profits into building new homes, as well as providing support and opportunities to its communities.

As with all charitable social landlords, a focus on people is at Clarion's core. It also recognises the importance of energy-efficient and low-carbon homes, both because of the positive impact on reducing residents' fuel bills, and because of the wider responsibility it feels on leading sustainability.





Sustainability runs through Clarion's whole approach

Clarion's proactive thinking on advancing the sustainability agenda is also reflected in its approach to finance. It was the first UK housing association to adopt the pan-European Certified Sustainable Housing Label1 back in November 2019.

The label evaluates the positive impact of affordable housing companies, considering green and social indicators, and is aligned with international green and social bond principles.

As part of an ongoing Investor Relations programme, Lloyds Bank coordinated a non-deal investor update for Clarion in December 2019. Integral to this process, Clarion highlighted details of its new Sustainable Housing Finance Framework, including the expert opinion that it had sourced.



Pioneering 15-year sustainability bond

Strong sustainability credentials underpinned the success of the landmark 15-year 1.875% bond which the Group then priced in January 2020, with Lloyds Bank as joint lead manager. The bond was the first sustainability bond from the sector and generated significant investor interest, including many overseas accounts which had not previously invested in UK housing associations.

“As the UK’s largest affordable housing provider, creating truly sustainable communities where people can thrive is at the core of our mission. This new green bond will help us do that. Money raised will be used exclusively for the development of new-build energy-affordable homes in line with our sustainability framework.”

**Rob Lane, Group Commercial Services Director
for Clarion Housing Group**



Lloyds Banking Group leading by example



Lloyds Banking Group leading by example

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**

How we can help you

Real estate and housing 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 at discounted margins using our Green Finance 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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Further information

Sources

¹Certified Sustainable Housing

²Reduction in Scope 1, Scope 2, and Business Travel emissions, calculated using the location based method, against a baseline year of 2009.

Important information

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 £25m.

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.