



The sustainability challenge

Opportunities and risks
for UK businesses



**BANK OF
SCOTLAND**

Time for change

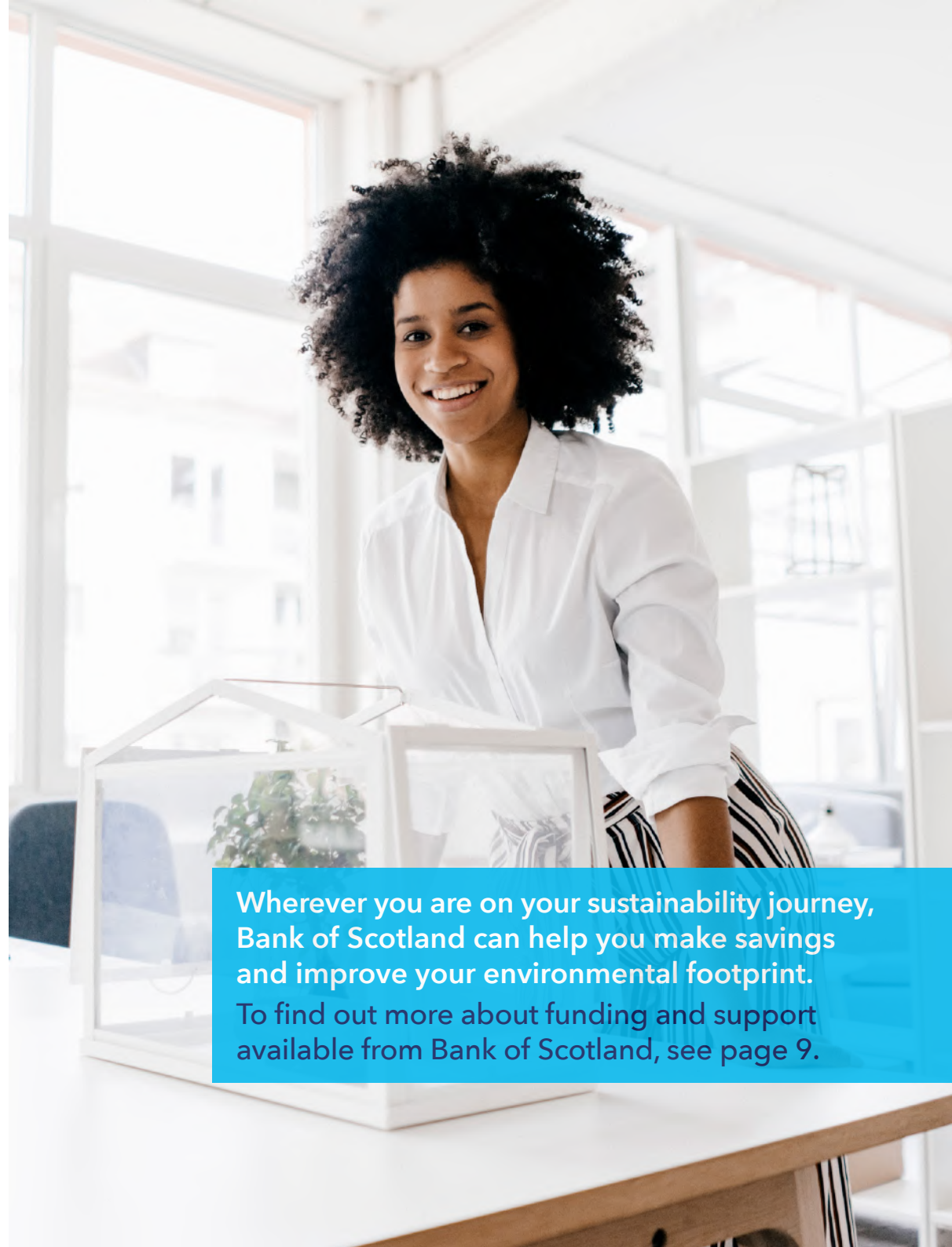
Globally, sustainability is now part of the fabric of business strategy for organisations of all sizes, and UK companies are leading the way.

The UK has successfully cut carbon emissions faster than any other G7 nation¹, 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 in their 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, Bank of Scotland can help you make savings and improve your environmental footprint. To find out more about funding and support available from Bank of Scotland, see page 9.

What is sustainability in business terms?

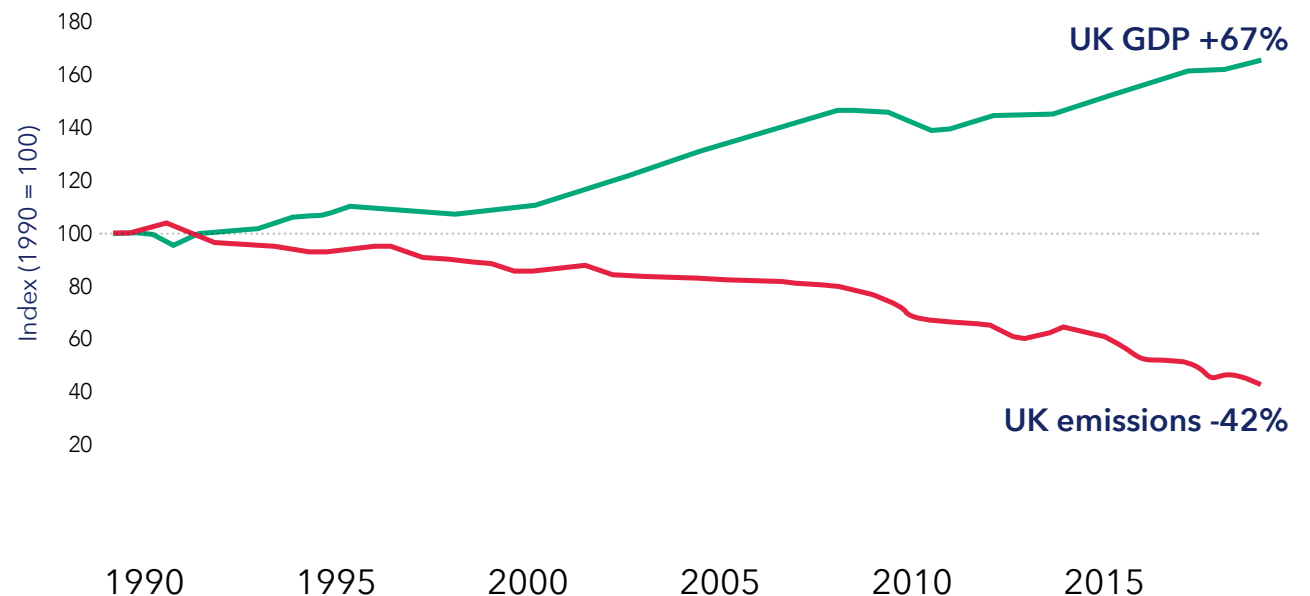
A sustainable business is one that is resilient, and fully connected to the social and environmental systems around it.

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



“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.”⁵

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.⁶ It has a growth potential of 11% per year until 2030, according to research by the Government's Committee on Climate Change.⁷

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.⁸ It recommended that organisations report on climate-relevant information as part of their annual filings.⁹

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.¹⁰

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.¹¹

32%
of carbon emissions in the UK come from the heating of industry and business premises¹²

“There is not only money to be saved through energy efficiency, there is also money to be made.”¹³

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

Gro Harlem Brundtland, Chairman,
World Commission of Environment and Development



How can we help you become more sustainable?

Funding from Bank of Scotland 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.

Green lending funds environmentally-friendly higher education facility



HFD Property Group - Hamilton International Technology Park receives £39.7m green loan from Bank of Scotland Project: 235,000 sq ft EcoCampus for University of the West of Scotland

- ✓ Carbon neutral
- ✓ Rainwater harvesting
- ✓ Powered by renewable energy
- ✓ BREEAM 'Excellent' rating

Prominent Scottish property developer HFD, was the driving force behind the UK's first speculative 'carbon neutral' office development. The three buildings that formed the EcoCampus were designed to attract occupiers seeking Grade A+ space with outstanding sustainability credentials.

HFD successfully competed to attract the University of the West of Scotland (UWS) and worked with them to develop plans for their new Lanarkshire Campus. As the original development was completed to "shell and core" the buildings could be readily adapted to meet the needs of the University. The 3 existing buildings were cleverly combined to create the Campus with the addition of a stunning three-storey 'Street' atrium. Uniting the buildings in this way delivers UWS with an exciting flexible space for socialising, performances, graduation dinners, and studying. 'The Street' contains a coffee shop, video wall, Campus reception, and two stage rigs complete with lighting and sound systems. Twin 3 storey feature stairs bookend the 'Street' providing access to the upper floor teaching areas, with open balconies offering unique views over the busy 'Street' below.

To fund the innovative Campus development including its high quality, sustainable and efficient fit out requirements; HFD took advantage of Lloyds Banking Group's £1bn Green Lending initiative. Under the terms of the £39.7 million deal with the Bank of Scotland, HFD benefitted from a margin discount available under the scheme of up to 20 basis points, thanks to delivering a number of green pledges written into the loan agreement.

The resultant UWS EcoCampus has significant sustainability credentials, including rainwater harvesting, solar panels, electric car charging, improved public transport links, active travel facilities, and an enhanced building management system. Most notably the energy efficient buildings are powered 100% by renewable energy from a local associated windfarm development, by way of HFD's innovative and exclusive power purchase agreement.

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

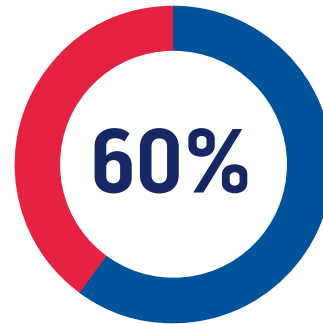


- Best UK Bank 2018
- Best Bank in Western Europe for Corporate Responsibility 2018

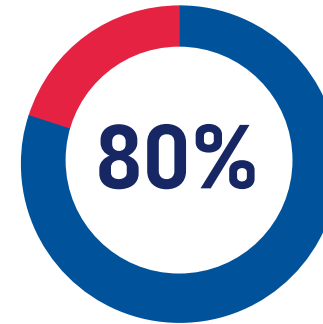


Responsible Business
of the Year
2018

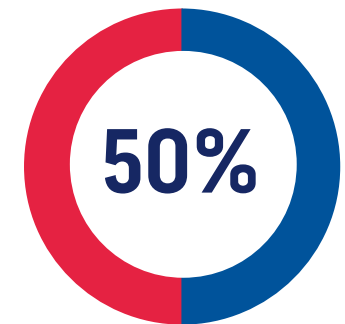
Our 2018 environmental targets



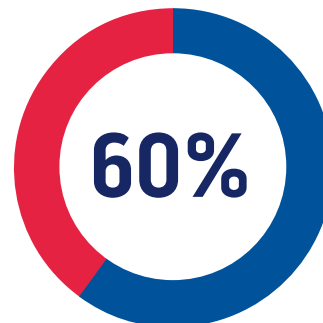
reduction in
CO2e by 2030



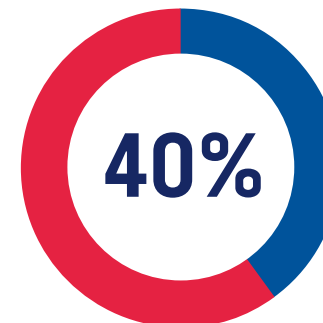
reduction in
CO2e by 2050



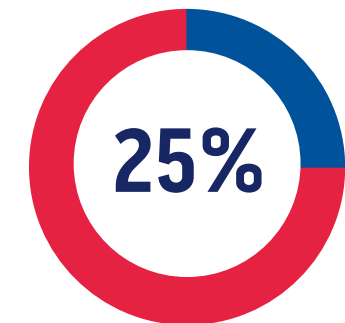
reduction in energy
consumption by 2030



reduction in travel
related CO2e by 2030



reduction in water
consumption by 2030



(at least) reduction in
operational waste by 2030

CO2e = carbon dioxide equivalent

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

 bankofscotland.co.uk/business

 [Bank of Scotland for Business](#)

 twitter.com/BankofScotBiz

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

Sources

- ¹ The Clean Growth Strategy, HM Government
- ² The Clean Growth Strategy, HM Government
- ³ From sustainability to profitability: maximising efficiency and productivity, University of Reading
- ⁴ The Clean Growth Strategy, HM Government
- ⁵ New Economy, New Finance, New Bank, Speech given by Mark Carney
- ⁶ The Clean Growth Strategy, HM Government
- ⁷ The Clean Growth Strategy, HM Government
- ⁸ Climate change: why it matters to the Bank of England
- ⁹ The Bank of England's response to climate change
- ¹⁰ Enabling the Good Life
- ¹¹ The Sustainability Imperative
- ¹² The Clean Growth Strategy, HM Government
- ¹³ Energy Efficiency Market Report 2016, The International Energy Agency
- ¹⁴ United Nations Sustainable Development Goals
- ¹⁵ Paris Agreement - Status of Ratification
- ¹⁶ Report of the World Commission on Environment and Development: Our Common Future
- ¹⁷ Lloyds Bank press release

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 are published at bankofscotland.co.uk/business/contactus

Security information

Please note that Bank of Scotland NEVER send emails that ask for confidential or security information.

While all reasonable care has been taken to ensure that the information provided is correct, no liability is accepted by Bank of Scotland for any loss or damage caused to any person relying on any statement or omission. This is for information only and should not be relied upon as offering advice for any set of circumstances. Specific advice should always be sought in each instance.

Bank of Scotland is a trading name of Lloyds Bank plc, Bank of Scotland plc and Lloyds Bank Corporate Markets plc. Lloyds Bank plc. Registered Office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2065. Bank of Scotland plc. Registered Office: The Mound, Edinburgh EH1 1YZ. Registered in Scotland no. SC327000. Lloyds Bank Corporate Markets plc. Registered office 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 10399850. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 119278, 169628 and 763256 respectively.

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 Bank of Scotland. More information on Lloyds Banking Group can be found at lloydsbankinggroup.com