



MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT

Lloyds Banking Group
2019

About Lloyds Banking Group

We are a UK financial services provider with around 26 million customers and a presence in nearly every community. Lloyds Banking Group plc has a number of subsidiaries, a full list of which can be found in our Annual Report. Our main business activities are retail and commercial banking, general insurance and long-term savings, provided through well recognised brands including Lloyds Bank, Halifax, Bank of Scotland, MBNA and Scottish Widows.

We employ approximately 63,000 employees (on a full-time equivalent basis), of whom 99 per cent work in the UK. Our active supply base comprises approximately 3,100 suppliers, the majority of which are in professional services sectors such as management consultancy, legal, HR, IT, marketing and communication and located in the UK, other European countries, North America and Asia (see 'Our Suppliers – assessing and managing risk' for more detail). Our shares are quoted on the London and New York stock exchanges and we are one of the largest companies in the FTSE 100 index.

26m

26 million customers and a presence in nearly every community

99%

99 per cent of our 63,000 employees work in the UK

3,100

Our active supply base comprises approximately 3,100 suppliers

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Modern Slavery and Human Trafficking Statement 2019

This Statement outlines the steps we have taken in the last twelve months to combat the risk of modern slavery and human trafficking taking place in either our business or our supply chains, and our focus areas for the year ahead. In 2019 we had no reported incidents.

This is our fourth Modern Slavery and Human Trafficking Statement. It is made in accordance with section 54(1) of the UK's Modern Slavery Act 2015 and applies to Lloyds Banking Group plc, its subsidiaries, employees and officers of the Group for the financial year ending 2019. This Statement was approved in February 2020 by the Board of Lloyds Banking Group plc on behalf of all the Group's subsidiaries, and by the Boards of its principal subsidiaries Lloyds Bank plc, Bank of Scotland plc and HBOS plc on behalf of the Ring Fenced Bank sub-group. The Boards of Lloyds Bank Corporate Markets plc and Scottish Widows Group Limited approved the Statement on behalf of the Non Ring Fenced Bank sub-group and the Insurance sub-group respectively.

As outlined in our 2018 Statement, last year we focused our efforts on:

1. Raising awareness of modern slavery and human trafficking amongst our colleagues
2. Progressing our efforts to tackle modern slavery and human trafficking as a financial crime
3. Collaborating with external stakeholders
4. Regularly reviewing our supplier risk assessment processes

We do not tolerate slavery, trafficking or forced labour in any part of our business or supply chains. This is reflected in how we are embedding these considerations across our business. By way of example, in the UK (where 99 per cent of our employees work) we have aligned our activities and policies with international best practice and recognised standards. We are either a signatory to, or abide by, the principles of a number of international and national codes and standards relating to responsible business practice. These include: The Equator Principles, the UN Principles for Responsible Investment, the UN Global Compact, the UN Universal Declaration of Human Rights, the International Labour Organisation's Core Labour Standards and the UN Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking.

Founding Signatory of:



PRINCIPLES FOR
RESPONSIBLE
BANKING



We do not tolerate slavery, trafficking or forced labour in any part of our business or supply chains.



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Our Policies

We have a number of Group policies and procedures in place that reflect our commitment to operating responsibly and ethically as a business and as individual employees. These help us to embed modern slavery considerations into our operations.

Alongside this statement, this year we have made significant updates to our Human Rights Policy Statement. We have used the United Nations Guiding Principles on Business and Human Rights to guide the development of the Policy Statement and the Group's broader approach to human rights.

Our policies include; Colleague, Sourcing, Speak Up (whistleblowing) and Anti-Bribery. Each business area is required to set its strategy in line with our risk appetite and our policy requirements. These Group policies, associated procedures and mandatory training are reviewed annually as part of the governance of the Group's Policy and Risk Management Frameworks. This annual review reflects our efforts to continually improve our responsible business governance approach, and to further embed human rights into our business.

Our Code of Responsibility (the Code) provides clear guidelines for doing business fairly and responsibly, in line with our Group Values: putting customers first; making a difference together; and keeping it simple. The Code encourages colleagues to report, through our whistleblowing service, Speak Up, or to the Group's Colleague Conduct Management team, any actions that are unsafe, unethical, unlawful, or not in line with Group Policies.

In our internal operations, our Pre-employment Vetting Policy and Group Wide Vetting Standards, apply to all permanent and non-permanent employees that we recruit, including temporary staff and contractors. The Pre-employment Vetting process upholds our respect for labour rights and, for our UK employees, includes the review of individuals' proof of identity, address, and right to work in the UK.



We have recognition agreements with two trade unions that collectively negotiate on behalf of our UK workforce (around 99 per cent of colleagues worldwide). The UK's Living Wage Foundation has accredited the Group as a Living Wage Employer. We review our pay rates annually to ensure minimum rates are above the statutory minimum and living wage requirements that are applicable in the countries we operate in. We have worked, and continue to work, with third-party contractors to ensure that they operate in line with our commitments and expect them to ensure that the wages they pay meet legally mandated minimums without unauthorised deductions.

The Group uses a number of recruitment agencies to fill roles. UK agencies are bound by contracts which require compliance with our Pre-employment Vetting Policy and Vetting Standards and the Code of Supplier Responsibility, and which include specific Modern Slavery and Anti-Bribery clauses. UK agencies also attest compliance annually via the Financial Services Supplier Qualification System (FSQS).

“Our Code of Responsibility provides clear guidelines for doing business fairly and responsibly, in line with our Group Values.”

99%

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Find out more
Code of Responsibility
Anti-Bribery Policy Statement
Human Rights Policy Statement

Our Policies continued

Our Suppliers

We expect all UK suppliers to conform to our Code of Supplier Responsibility which we share through the supplier contract as governed by our Business Sourcing Process. It defines our expectation in terms of responsible business behaviour, including human rights and labour issues. We require those UK suppliers going through the FSQS to confirm they have read, understood and complied with the Code of Supplier Responsibility and provide us with evidence to demonstrate their approach.

We expect all of our suppliers to:

- ➔ Respect the human rights of their employees and comply with all relevant legislation, regulations and directives, including the Modern Slavery Act and its reporting obligations in the countries and communities where they operate
- ➔ Prohibit forced labour (slavery) and human trafficking in their supply chain and give their employees the right and ability to leave employment if they choose
- ➔ Prohibit child labour
- ➔ Ensure that wages meet legally mandated minimums without unauthorised deductions
- ➔ Allow their employees to exercise the legal right to organise and join associations (such as labour unions)
- ➔ Provide clear and uniformly applied disciplinary and grievance procedures including prohibiting mental, physical or verbal abuse
- ➔ Ensure working hours are in accordance with local regulation and industry practice and voluntary overtime is at a manageable level

Our suppliers are also asked to comply with specific Third-Party Supplier Policies, where applicable to the services they provide to the Group. Third party policies such as Anti-Bribery, Data Privacy and Fraud, are documents which:

- ➔ Articulate Lloyds Banking Group's expectations in regards to behaviours and decision making
- ➔ Address the primary areas of risk which Lloyds Banking Group faces
- ➔ Translate Lloyds Banking Group's risk appetite into mandatory requirements and controls

Our suppliers have a contractual obligation to ensure compliance with all applicable laws that apply to their supply of goods and services to us, regardless of the jurisdiction in which they operate.

We include compliance with the Code of Supplier Responsibility and modern slavery clauses in our UK supplier contracts and purchase order standard terms and conditions. These clauses seek to manage modern slavery risks and ensure that we receive appropriate information on suppliers' supply chains and organisations, including copies of their modern slavery statements if they are required to report under the UK Modern Slavery Act. We go through an escalation and sign off process with the business to consider the risks of any supply contract, particularly where there is deviation from our standard clauses.

Speak Up

We offer our UK suppliers access to our confidential Speak Up Line where they and their workers can report any incidents. An independent supplier, Expolink, manages the line and we have worked with them to ensure that, if instances of modern slavery or other human rights abuses are reported, they are identified and effectively investigated. This formal process is intended to be both sensitive and robust. There were no reported modern slavery incidents through Speak Up in 2019.

The Speak Up Third-Party Policy has been designed to assist in managing any risk that Third-Party Suppliers' employees are prevented from reporting any concerns about risk, malpractice or suspected wrongdoing.

Our Suppliers – assessing and managing risk

Lloyds Banking Group subscribes to the FSQS, a third-party managed supplier qualification system for the financial sector that is currently used by 22 major banks, building societies and insurance companies. This ensures we adopt a standardised approach to compliance and assurance, which forms an integral part of our supply chain management.

We take a risk-based approach and contractually require our c.1,100 managed UK suppliers to self-attest their compliance to the Group's policy expectations on an annual basis. As part of the FSQS, these suppliers are asked to provide evidence of processes and procedures for assessing and complying with relevant human rights legislation and labour standards, including the UK Modern Slavery Act. We require these suppliers to complete the FSQS questions on an annual basis, and employees who manage the supplier relationship (Supplier Managers) must confirm that this is satisfactorily completed throughout the duration of the supplier's contract with the Group.

If a supplier provides a non-compliant answer to any responsible business FSQS question such as the occurrence of an employment tribunal in the last three years, or non-compliance with the UK Modern Slavery Act, Supplier Managers are required to investigate and manage through to resolution. If the issue is deemed sufficiently serious or cannot be resolved in a reasonable timeframe, the Group may undertake a review of the terms of the contract, which could include triggering the right to terminate where Modern Slavery issues have arisen.

The Group regularly reviews the FSQS risk framework. In 2019 we have introduced additional questions that trigger a 'red flag', prompting further investigative action and remediation.

The Group Sourcing Supplier Assurance team conducts an annual programme of assurance reviews for suppliers which represent the highest risk exposure to the Group. Suppliers that trigger agreed risk criteria are selected for an onsite supplier assurance visit to test the supplier's adherence to relevant Group policies, which includes an assessment of modern slavery risks as appropriate. In 2019, there were no high priority findings and no relationships exited as a result of issues with Modern Slavery.



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Responsible Sourcing

Recognising that sectors such as cleaning, catering, property and security are potentially higher risk, especially where separately outsourced, we have consolidated these under one managed service agreement. This enables us to better monitor and manage this risk. The supplier is based in the UK, and a dedicated Supplier Manager supports this relationship.

In addition to our standard risk controls, we are Living Wage Foundation accredited and key to this relationship is the bottom-up transparent review of costs, with particular focus on those employed under cleaning and guarding. The supplier directly employs 68 per cent of their workforce and the remaining 32 per cent is through key sub-contractors who attest to those working on the account and in line with Living Wage. The Supplier Manager also has sight of all supplier processes and procedures in relation to Modern Slavery for employee induction and training, supplier evaluation procedure and guidance, plus associated policies including the supplier's Modern Slavery Statement.

68%

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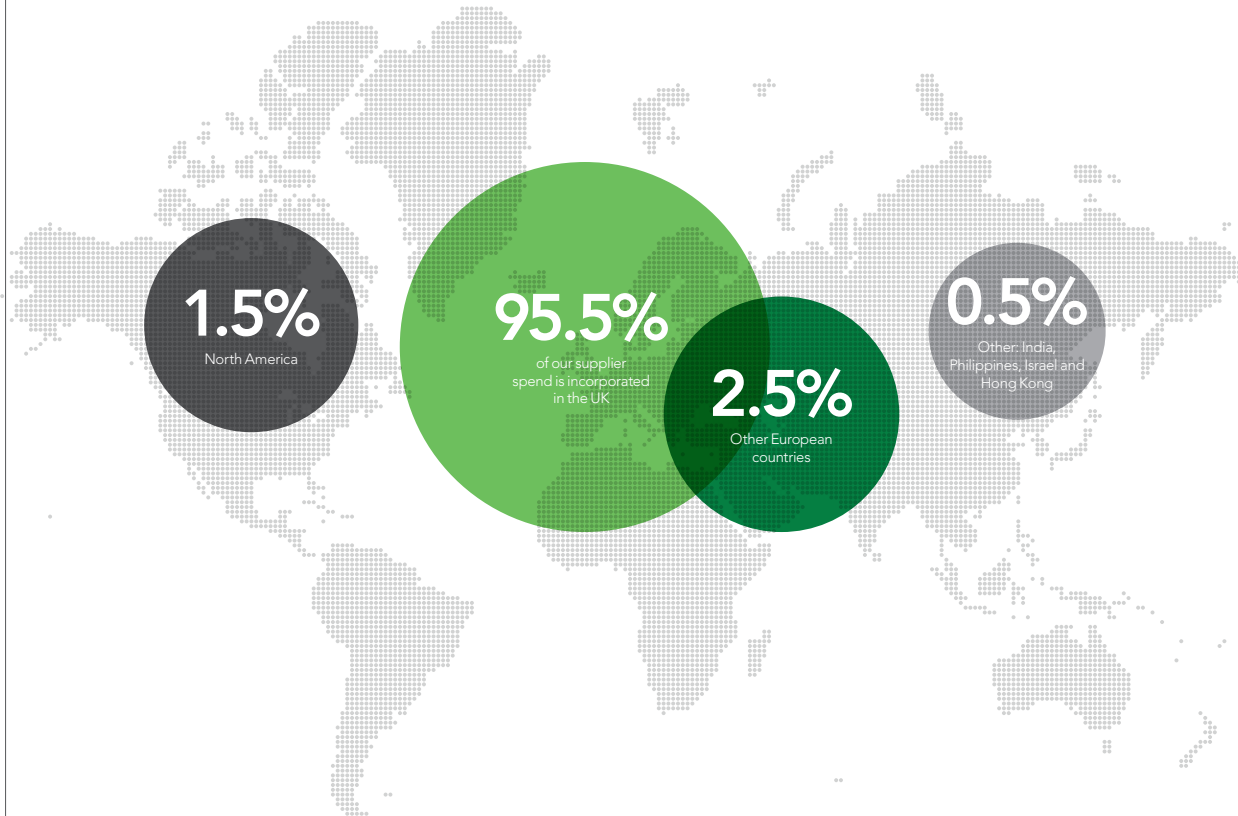
Find out more
Working with suppliers

Our Suppliers – assessing and managing risk continued

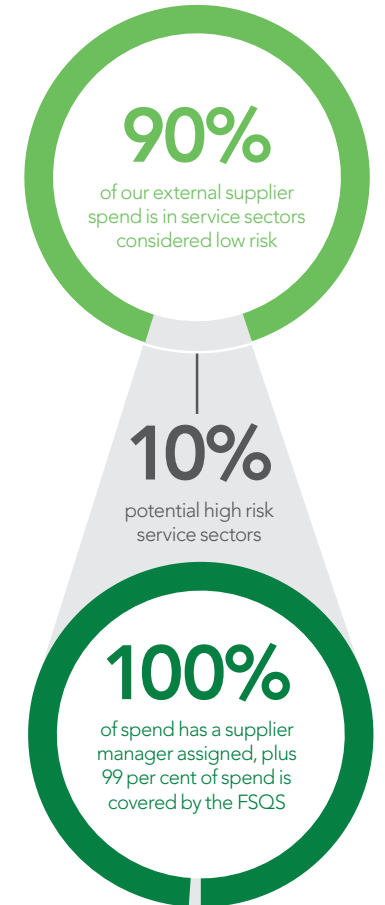
We have analysed our suppliers based on geography, service sectors and spend. The majority of our direct suppliers represent a traditionally low risk of modern slavery. According to the 2019 Global Slavery Index, 99.5 per cent of our supplier spend is incorporated in geographies that are considered low risk for modern slavery; 95.5 per cent of our supplier spend is incorporated in the UK, 2.5 per cent in other European countries, 1.5 per cent in North America and the remaining 0.5 per cent in other countries, including India, the Philippines, Israel and Hong Kong. Additionally, 90 per cent of our external supplier spend is in service sectors considered low risk, and analysis of the remaining 10 per cent potential high risk service sectors shows that 100 per cent of spend has a supplier manager assigned, plus 99 per cent of spend is covered by the FSQS. We will continue to monitor, and seek to continuously improve our process of identifying risks.

Our suppliers in India and the Philippines, including IT providers, are large global firms which have undergone rigorous due diligence and are managed by dedicated Supplier Managers.

Our supplier geography



Our supplier spend



Combatting human trafficking as a financial crime

The financial sector has an important role to play in tackling modern slavery and human trafficking, as there may be exposure through the receipt and movement of the proceeds of crime. The Group is aware of the risks and the influence it can have in combatting modern slavery through its financial crime approach and we have implemented and continue to strengthen monitoring controls to help identify activity which may be indicative of proceeds relating to modern slavery and human trafficking.

The Group takes a proactive role in identifying potential Modern Slavery and Human Trafficking (MSHT) perpetrators. Our Group Financial Intelligence Unit (GFIU) seeks to better understand the MSHT threat to the Group to make accurate and insightful assessments that inform our risk-based approach and response. GFIU continuously seeks to obtain intelligence on MSHT to create a baseline understanding of the threat and its scale, and track changes over time. Whilst intelligence available on MSHT is limited, GFIU regularly engages with intelligence providers such as law enforcement, charities and other organisations working to counter MSHT.

In 2018 GFIU developed specific typologies to target financial indicators linked to sexual and labour exploitation. In 2019 GFIU have continued to review and improve these indicators in response to developing intelligence to allow the Group to more accurately monitor suspicious transactions.

This year, we have deepened our focus on the UK's County Lines, where drug gangs expand their operations into smaller towns or rural areas. This often involves the intimidation, financial exploitation and endangerment of young and vulnerable people at a higher risk of modern slavery and people trafficking. GFIU has collaborated with the National County Lines Co-ordination Centre (NCLCC) portfolio to provide training and awareness raising to support Group colleagues in spotting behavioural and transactional indicators. More than 500 colleagues joined an awareness webinar on this issue specifically.

In 2020, we will be looking to deliver an internal communication programme based on the Hiding in Plain Sight campaign being run by HM Government to raise awareness of Modern Slavery, and encourage front line colleagues to report concerns.

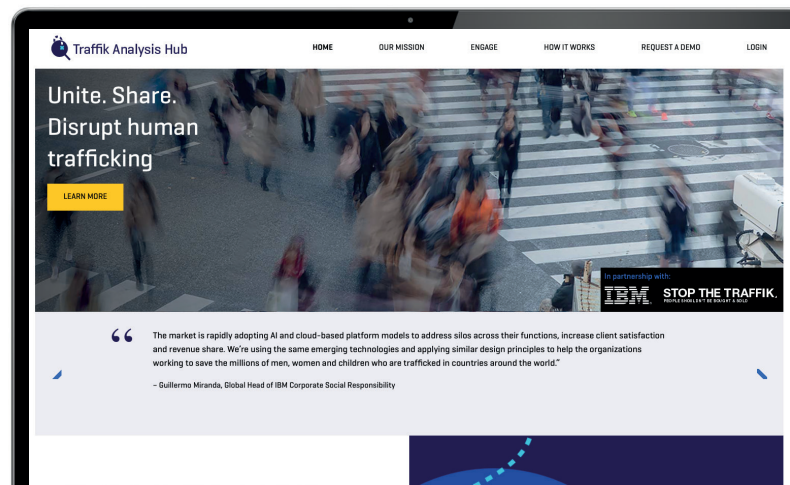
We are aware that the financial system can fund companies with poor labour standards, which is why we have developed policies for lending to sectors with known prominent risks. These sector statements detail our expectations for corporate customers and require them to comply with applicable international conventions, sanctions and embargoes, legislation, and licensing requirements whilst showing a clear commitment to robust Environmental, Social and Governance (ESG) risk management.

Collaborating with others

We work with other financial service providers, NGOs, taskforces, law enforcement agencies and key organisations to help identify and prevent incidences of modern slavery and human trafficking.

- We are a founding member and remain an active participant of the Joint Money Laundering Intelligence Taskforce (JMLIT). The taskforce was established to tackle financial crime in partnership with the financial sector and Government and has five operational priorities, one of which is human trafficking and modern slavery. The Group Fraud and Financial Crime Prevention's Financial Intelligence Unit has made human trafficking and modern slavery a primary area of focus.

- We have continued to collaborate with others on the Traffik Analysis Hub (TAHub), designed to share vital trafficking information across all sectors. The aim is to be able to predict future incidents of human trafficking before they occur through identifying financial patterns, trafficking routes, hotspots of community trafficking activity and vulnerability across complex supply chains. Conceived and led by STOP THE TRAFFIK, we continue to provide support to the testing process at each development stage.
- The Halifax Foundation for Northern Ireland, is also currently funding a charity called Invisible Traffick, an organisation that provides primary school children in the region the education and support needed to help them understand the signs and dangers of modern slavery. Human trafficking and modern slavery offences are on the rise in Northern Ireland and vulnerable children are often the target of gangs. The charity's work is vital in protecting these children from becoming victims.



“ This year, we have deepened our focus on County Lines, where drug gangs expand their operations into smaller towns or rural areas. ”

Find out more
Sector Statements

Working with survivors

This year, the Group has focused on helping survivors of modern slavery and human trafficking. As a result of the West Midlands Police modern slavery ring investigation in 2016, which culminated in 2019, we have worked on mitigating against two key banking challenges; identification and fraud.

The Group recognises the challenges that not having the standard forms of identification can present and has modified its UK Acceptable Documentation procedures to allow for alternative forms of documentation when opening accounts, as survivors of trafficking may not have these in conventional forms.

Alongside Hope for Justice, the Group works with a number of charities to support those impacted by modern slavery. An initiative has been in place at our Lloyds Bank Manchester Flagship branch since the end of 2017 supporting the opening of accounts for customers with limited documentation. We have since expanded this initiative to additional branch locations in London, Cardiff, Glasgow, Newcastle, Birmingham and Liverpool. Ensuring strong links between local charities and the branch, we can confirm what documents and information are available before the customer visits the branch, ensuring the account opening process is smoother and less stressful. Support is provided on a case by case basis to ensure our customers are treated sensitively and flexibly.

Survivors' bank accounts are often used by gangmasters for fraudulent activity. Normally, this would prevent the survivor from using our banking services in future. Taking modern slavery referrals from recognised charities and the police, we ensure that fraud records created as a result of the activity of the abusers do not cause the survivors to become a victim twice over. Working with charities to improve our referral process so that customers' accounts can be considered appropriately, our Retail Application Fraud Team is able to cross-check records and documents in advance to allow an account to be opened.

Support is provided on a case by case basis to ensure our customers are treated sensitively and flexibly.

11

Survivors have been assisted in 2019

47

Total survivors have been assisted since 2016



Training

In 2018, we worked to raise awareness of modern slavery throughout the business. This has been built on in 2019, through continued training and engagement.

A new Group-wide Fraud and Financial Crime mandatory training module has been rolled out in Q4 2019 for all colleagues. This training includes a specific modern slavery case study and the 'red flags' that will assist colleagues in detecting and reporting this activity. This is further supported by training for colleagues in specific roles;

- **Group Sourcing and Supplier Managers:** Updated training and guidance delivered in October 2019 covering the requirements of the UK Modern Slavery Act and the risks of slavery and human trafficking. It is available for colleagues to replay and download for future reference.

- **Community Bank colleagues:** Induction training includes Identifying and Supporting Customers in Vulnerable Circumstances and annual mandatory training includes Customers in Vulnerable Circumstances.
- **GFU colleagues:** Specific training on financial crime themes, such as a County Lines awareness session, has been rolled out and in 2019, more than 500 LBG colleagues dialled into a webinar led by a subject matter expert on the criminal exploitation of children.



Governance

The Group's approach to human rights is governed by the *Responsible Business Committee*, a committee of the Board of Lloyds Banking Group plc. The Committee's role is to support the Board in overseeing the Group's policies and performance as a responsible business.

The Group's day to day management of and engagement on modern slavery and human rights is guided by a Cross-Divisional Working Group, led by Responsible Business. This Group meets regularly to assess the embedding of modern slavery and human rights within the Group's operations.

Other relevant committees include; the *Group People Committee*, responsible for governance of the Group's people and colleague policies, covering conduct, values and behaviours that can relate to human rights concerns, as well as related areas including remuneration and reports directly to the Chief Executive, by way of the *Group Executive Committee*; and the *Supplier Management Governance Committee* responsible for overseeing supplier management capability and delivery and is made up of representatives from across the Group to embed strategy and best practice.

Looking ahead

We will continue to monitor, embed and evolve the way we identify and mitigate modern slavery and human trafficking risks in our business and supply chain. This will be guided by our updated Human Rights Policy Statement, which outlines the Group's position on, and commitment to embed human rights considerations.

Looking forward, we will seek to;

- ➔ Continue to regularly review our supplier risk assessment processes
- ➔ Raise colleague awareness of modern slavery and human trafficking
- ➔ Strengthen external partnerships and collaborations
- ➔ Integrate modern slavery and human trafficking considerations into our relationships with clients

We will continue to review and report on the following indicators to assess the effectiveness of our actions:

Number of colleagues trained in relation to slavery and trafficking:

- ➔ This is measured by colleague engagement with our annual Group-wide mandatory Anti Money Laundering training module. In 2019, around 97% per cent of colleagues completed this training. This was updated in Q4 and is now part of the Fraud and Financial Crime Annual Refresher training and includes a modern slavery case study.

Number of reports of modern slavery through our Speak Up line:

- ➔ In 2019 we had no reported incidents of human rights breaches, slavery or trafficking.

This statement is made pursuant to the Modern Slavery Act 2015 and constitutes Lloyds Banking Group's Modern Slavery and Human Trafficking Statement.

Signed by

Lord Blackwell
Chairman

António Horta-Osório
Group Chief Executive

97%

In 2019, 97 per cent of colleagues completed training in relation to slavery and trafficking

0

incidents of modern slavery reported through our Speak Up line

Queries or comments can be shared at any time by writing to:

Group Chief Executive's Office
Lloyds Banking Group
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London EC2V 7HN

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