

LLOYDS
BANKING GROUP



Modern slavery and human trafficking statement 2021



Introduction

This is our sixth 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, and their respective employees and officers of the Group for the financial year ending 31 December 2021.

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Find out more

Further information can also be found in our 2021 Annual Report and Accounts and 2021 ESG Report. Supplementary information and disclosures are provided in the following documents.

[Our 2021 ESG Report](#) ↗

[Our 2021 Annual Report and Accounts](#) ↗





About Lloyds Banking Group

We are a UK financial services provider with around 26 million customers and a presence in nearly every community. 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.



Our active supply base comprises approximately 2,600 suppliers, the majority of which are in professional services sectors, such as management consultancy, legal, HR, IT, operations, marketing and communications.

Our suppliers are located in the UK, other European countries, North America and Asia. 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.

Lloyds Banking Group had no reported incidents of modern slavery in 2021 but we acknowledge that modern slavery is prevalent in modern society and can be difficult to detect. As such, we may be exposed to modern slavery risks through our relationships with clients and suppliers, our employment practices, and our investment universe. This Statement outlines the steps we have taken in the last twelve months to identify, assess, address and 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.

98%

of our employees work in the UK

Lloyds Banking Group plc and its subsidiaries are required to report under the Modern Slavery Act 2015 including, but not limited to:

- Bank of Scotland plc
- Scottish Widows Unit Trust Managers Limited
- Scottish Widows Limited
- Lloyds Bank plc
- HBOS plc
- LBG Capital Holdings Limited
- Lloyds Bank Corporate Markets
- LBG Equity Investments Limited

We operate multiple brands through three core divisions: Retail, Commercial Banking, and Insurance and Wealth. The Group's main business activities include retail and commercial banking, general insurance and long-term savings, provided through multiple well-recognised brands including Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows.

For the purposes of this Statement, the Lloyds Banking Group plc and the above entities are collectively referred to as Lloyds Banking Group or the Group.



This Statement was approved in April 2022 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.

26m

customers and a presence in nearly every community across the UK

2,600

suppliers across a majority of professional service sectors

Our commitment to human rights

A responsible and sustainable approach to doing business is central to our strategy and our purpose of Helping Britain Prosper. We believe in the importance of doing business in ways that value and respect the human rights of our colleagues, customers, business partners and everyone affected by our business.

We do not tolerate slavery, human trafficking or forced labour in any part of our business or supply chains. This zero-tolerance approach is reflected in how we are embedding human rights considerations across our business.



As a business, we recognise the important role that we have in promoting respect for human rights across our business and supply chains. 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 (UNGC)
- The UN Universal Declaration of Human Rights
- The International Labour Organization's Labour Standards
- The UN Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking and the Principles for Sustainable Insurance
- The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- The UN's Guiding Principles on Business and Human Rights



Key initiatives from 2021

- In January 2021, Themis, the UK Independent Anti-Slavery Commissioner, and the TRIBE Freedom Foundation launched a report highlighting the links between financial services sector and modern slavery, outlining current trends and including a call to action for industry leaders in the financial sector. Our Group Sustainable Business Director responded to the letter detailing the Group's approach to addressing modern slavery across its business units
- We have joined the UN Global Compact UK Modern Slavery Act Working Group. The UN Global Compact Network UK set up the Working Group to help its members respond to the Modern Slavery Act 2015. The Working Group provides a valuable forum where members can discuss the challenges of implementing the Modern Slavery Act and learn how companies from other sectors are addressing their supply chain due diligence. Being a member of the Working Group will enable the Group to participate in peer reviews of members' Modern Slavery Statements and to learn from best practice shared by companies from across different sectors, supporting the Group to implement Section 54 of the Modern Slavery Act 2015 effectively
- Invisible Traffick, a Northern Ireland-based charity, which aims to tackle human trafficking and modern day slavery in the UK and Ireland, secured a three-year grant with the Group's Halifax Foundation for Northern Ireland (NI) to provide a Junior Education programme
- Commercial Banking introduced a reputational risk policy for large corporates covering all sectors, which was added to internal credit policies to ensure that we assess clients within this arena to make sure that they operate ethically and morally with human rights and modern slavery considered within this assessment
- We have hired a Social Sustainability Manager to review and align the Group's approach to addressing modern slavery with best practice approaches as well as raising awareness across the Group

Impact of COVID-19

The coronavirus pandemic (COVID-19) has created unprecedented challenges for our customers, communities, colleagues and suppliers. We have worked hard to protect the health, livelihoods and access to critical financial services for all of these groups.

We are acutely aware that the pandemic may have created different risks for modern slavery. For instance, we know that it has been harder for all sectors to conduct due diligence in person.

We have not relaxed our standards and the expectations we set for ourselves and our suppliers. Instead, we have looked for other ways to conduct critical checks, in line with government guidance. For instance, right to work and alternative identification checks now take place online through video calls.

The Group is aware that the ongoing COVID-19 pandemic will lead to new or increased risks of modern slavery by heightening people's vulnerability to labour exploitation. To address this, the Group Fraud and Financial Crime Prevention's Financial Intelligence Unit delivered training to colleagues in Retail and Transaction Monitoring to help them understand these new emerging threats and the transactional risk indicators they should look out for.



We have not relaxed our standards and the expectations we set for ourselves and our suppliers.



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.



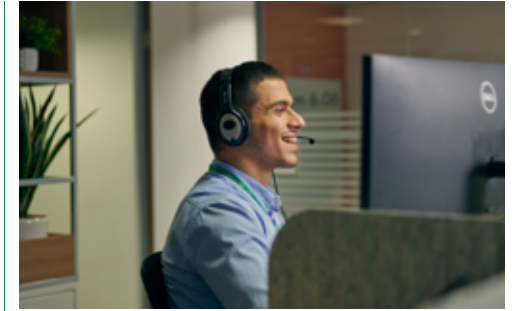
The accountable Executive for the Group’s human rights and modern slavery approach is Janet Pope, the Group’s Chief of Staff and Group Director, Sustainable Business. As part of her role in the Group Executive Committee, she is responsible for championing our Group approach to human rights as well as the publication of our Modern Slavery and Human Rights Policy Statements.

The Group’s day-to-day management of and engagement on modern slavery and human rights is guided by a Cross Divisional Working Group which, led by the Group Responsible Business team, has input from functions across the Group including HR, Sourcing, Retail, Commercial Banking, Fraud and Financial Crime as well as external human rights experts. Other relevant committees that play a role in the oversight of modern slavery issues and initiatives include:

- the Group People Committee which is 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

- the Supplier Management Governance Committee which is responsible for overseeing supplier management capability and delivery and is made up of representatives from across the Group to embed strategy and best practice

We are committed to driving the Group’s approach to addressing modern slavery and, during 2021, we hired a Social Sustainability Manager to review and align the Group’s approach to addressing modern slavery with best practice approaches as well as to assist in promoting and raising awareness of the topic across the Group.



Our policies

We have a number of internal Group policies and procedures in place that seek to implement our commitment to operating responsibly and ethically as a business and set out our expectations for employees. These policies and procedures help us to embed human rights considerations into our operations and cover a number of critical areas.

Code of Ethics and Responsibility

The **Code of Ethics and Responsibility** explains how we can each work responsibly, living up to our values and doing the right thing when we have to make decisions. It applies to all Lloyds Banking Group employees, contractors and agency employees, whether or not they are working with customers directly. All colleagues must complete mandatory training on the Code every year. We promote high ethical standards and do not tolerate any circumvention of our fraud and financial crime policies. We are a member of Transparency International UK's Business Integrity Forum – a network of major international companies committed to high anti-corruption and ethical standards in business practices.

Code of Supplier Responsibility

As a Group, we want to ensure that all our suppliers operate in an ethical, sustainable and inclusive manner and we want our suppliers to share in our purpose to Help Britain Prosper. This **Code** sets out the key social, ethical and environmental values that we require suppliers to abide by. These themes highlight the issues that are important to us; from supporting an inclusive and ethical supply chain through to ensuring our supply base is working to minimise their environmental impact and helping to preserve our planet and natural resources.

Human Rights Policy Statement

Our **Human Rights Policy Statement** provides an overview of the work we do to uphold our respect for human rights within our business and communities and the Statement is guided by the United Nations Guiding Principles on Business and Human Rights.

Speak Up

We value speaking up as part of our ethical business culture. We want anyone who has a concern about our ethics or conduct or about our third parties to report it without delay. Our Speak Up service is managed by an independent third-party, all reports are taken seriously and dealt with sensitively as individuals raising a concern have the option to remain anonymous where permitted by local law. Internally, we also encourage a culture of transparent reporting of concerns to the relevant manager, People Partner or to Group Conduct Investigations.

All colleagues considering raising a concern can read guidance material on the Speak Up service before making contact. All colleagues complete annual mandatory training on how to raise their concerns which includes details of support available to them throughout the process.

The Speak Up Third-Party Policy requires all third party employees who are working with or on behalf of the Group, receive annual communications on how to report concerns to our Speak Up service.

We investigate all instances of modern slavery or other human rights concerns reported to us through the Speak Up service. Even if known, the identity of those who raise a concern is not disclosed (unless required to by law, which is extremely rare). There were no modern slavery concerns reported through Speak Up in 2021.

External Sector Statements

The Group has **external Sector Statements** that apply to the Group's activities and sets out the approach we take to the risk assessment of our customers. We have externally published Lloyds Banking Group Sector Statements across a range of sectors which our direct lending transactions need to meet, and our mandated asset managers are required to follow the Scottish Widows Stewardship Policy and Exclusions Policy. These Sector Statements outline what types of activities that we will and will not support. Lloyds Banking Group has identified 12 sectors and defined specific risk appetites related to our financing activities within sectors that have the potential to negatively impact the environment and society. The Sector Statements set out our approach and appetite to lending as they relate to high-risk sectors, whether this risk derives directly from environmental, social or reputational risk.



As a large institutional investor, we have a vital role to play in shielding our customers from ESG investment risks, as well as influencing positive change through the investments we hold. Our exclusions focus on companies we believe pose the most severe investment risk due to the nature of their businesses, which can't be addressed through engagement.

Maria Nazarova-Doyle

Head of Pension Investments and Responsible Investments at Scottish Widows

Scottish Widows

Scottish Widows Responsible Investment and Stewardship Framework

As ESG risks and opportunities become better researched and understood, it is clear that these factors can have a financial impact on investment portfolios. Our **Responsible Investment Framework**, and supporting policies, apply across our entire investment book. Our customers look to us to exercise our judgement on the most appropriate way of investing over the long term, for example in our pension default investment options. So where we believe ESG factors pose downside risks to investments, or offer potential upside opportunities, we will incorporate them into our decision-making.

Scottish Widows Stewardship Policy and Exclusions Policy

Our mandated asset managers are required to follow the **Scottish Widows Stewardship Policy and Exclusions Policy** and our external sector statements. Such approach is aimed at reducing our exposure to ESG and climate-related risks and maximising the value of investments in the long term.

Financial Crime procedures and policies

Our Financial Crime procedures and policies, including our Economic Crime Prevention Policy and Anti-Bribery Policy Statement, contribute to our ability to identify, manage and prevent modern slavery and human trafficking as predicate crimes to money laundering, bribery, corruption and other financial crimes.

Each business area within the Group is required to set its strategy in line with the Group risk appetite and 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 improve our responsible business governance approach on a continual basis, and to embed human rights into our business further.



Assessing and managing risk

Our colleagues

Our colleagues are vital to the delivery of the Group’s strategy and ambitions. They provide an essential service for customers, communities and businesses, both in our call centres and across our network of branches. We ensure that we create the right culture, support and package for our colleagues to Help Britain Prosper.

We have a recognition agreement with two trade unions which collectively consult and negotiate on behalf of our UK workforce and have engagement with the CEO, Group Executives and Board members. Union membership is relatively high for our sector at approximately 45 per cent, and our relationship with the trade unions allows all parties to work together to improve the working environment and ensure colleagues are rewarded fairly for their contribution to the Group. The UK’s Living Wage Foundation has accredited the Group as a Living Wage Employer and we review our pay rates annually to ensure minimum rates are above the statutory minimum and living wage requirements that are applicable within the countries we operate.

We have worked, and continue to work, with third-party contractors to ensure that they operate in line with our commitments and we expect them to ensure that the wages they pay meet legally mandated minimum wage requirements without unauthorised deductions or financial burdens.



Our Colleague Screening Standards apply to all permanent and non-permanent employees that we recruit, including temporary staff and contractors. This 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. Normally these are conducted face-to-face but, given the health risks of COVID-19, we have followed government advice and temporarily adjusted these checks and as a result, they are carried out via video conference - minimising health risks, while maintaining a robust process.

The Group uses a number of recruitment agencies and service providers to fill roles. UK agencies are bound by contracts requiring compliance with our Colleague Screening Standards and the Code of Supplier Responsibility, which include specific modern slavery and anti-bribery clauses. UK agencies also attest compliance to the Code of Supplier Responsibility annually via the Financial Services Supplier Qualification System (FSQS).

Our customers

We know that financial institutions, as providers of capital, have an important role in tackling modern slavery and human trafficking and we seek to avoid the risk that we might become linked through our business relationships to any form of modern slavery.

As a UK-focused financial services provider, the vast majority of our assets are in developed markets which are associated with lower risks of modern slavery according to the Global Slavery Index. We acknowledge, however, that modern slavery occurs all over the world, including in the UK where 10,613 potential victims were referred to the National Referral Mechanism in 2020. We therefore apply our strong risk management culture to further minimise any risks as well as assessing the high-risk sectors that we bank.

In 2021, we have continued to further integrate modern slavery and human trafficking considerations into our relationships with clients. Our external sector statements detail our expectations for corporate customers and specify that we expect them to respect human rights, both of their own workforce and in their supply chain. We require them to comply with applicable international conventions, sanctions and embargoes, legislation and licensing requirements whilst showing a clear commitment to robust ESG risk management.

Due diligence

We regularly review all of our customers that we have a direct banking relationship with. Where they appear to be operating outside of our risk parameters, we will work with our customers to understand how they plan to transition to meet those parameters. If the customer does not transition, we will exit the relationship at the earliest opportunity. We have regular engagements with our customers (where appropriate) that we have a direct banking relationship with, and regularly review their public filings, press reports and analyst presentations.

Within Commercial Banking, ESG commentary requirements have been embedded into the credit assessment process. ESG risks, including modern slavery under the ‘S’ social pillar, must now be specifically commented upon where credit limits exceed £500,000 to help inform the overall credit view.

During 2021 Commercial Banking introduced a reputational risk policy for Corporate and Institutional Coverage clients covering all sectors, which was added to internal credit policies to ensure that we assess clients within this arena with the aim that they also operate ethically and morally within human rights and modern slavery policies.

This policy specifies the due diligence that relationship managers are required to conduct, including reviewing the steps taken by the client to ensure that there is no modern slavery in its business or supply chain. In addition to the ongoing client relationship management, Lloyds Banking Group have robust onboarding processes to assess new-to-bank clients to establish whether there is any adverse information which would contradict our own internal ethical values and culture and indeed desire to fund businesses that operate in an ethical manner.

Assessing and managing risk

Insurance and savings

As a long-standing signatory of the UN Principles for Responsible Investment (UNPRI), we are committed to being responsible investors and stewards of the assets we oversee on behalf of our pension customers through Scottish Widows.

The majority of assets held for and managed on behalf of our customers are managed by third-party managers who comply with our Stewardship Policy and are also signatories of the UNPRI. Our mandated asset managers are required to follow the Scottish Widows Stewardship Policy and Exclusions Policy.

We act in accordance with the UN Global Compact which includes the principles that businesses should make sure that they are not complicit in human rights abuses and should uphold the elimination of all forms of forced and compulsory labour. As outlined in our Exclusions Policy, we do not invest in companies identified as violators of the UN Global Compact unless we believe we have sufficient leverage to influence their behaviour over a three-year period. If companies fail to comply with the UN Global Compact during this time period, they will be excluded from the investment universe.

For UNGC violators, we intend to apply the following approach where possible due to the nature of our investment:

Where a company represents more than 0.5 per cent of a relevant stock market index, it will be flagged as a priority engagement target. We'll use our scale to influence for change over a three-year period. If there is no change after that period, the company will no longer be exempt from our Exclusions Policy and we'll consider selling out of our investment. Where a company is not listed on a stock market, but has issued debt in the form of a corporate bond, we will sell out of the bond without adhering to the three-year engagement period.

When selecting fund managers, we pay particular attention to their abilities to identify ESG risks and opportunities, including human rights abuses such as modern slavery, and to engage with companies they invest in on important issues.

Combatting modern slavery and human trafficking as a financial crime

The financial sector has an important role to play in the fight against 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 exploitation and proceeds relating to modern slavery and human trafficking.



The Group takes a proactive role in identifying potential perpetrators and the Group Fraud and Financial Crime Prevention's Financial Intelligence Unit (GFIU) has made human trafficking and modern slavery a primary area of focus. The GFIU seeks to better understand the threat to the Group to make accurate and insightful assessments that inform our risk-based approach and response. The GFIU continuously seeks to obtain intelligence on modern slavery and human trafficking to create a baseline understanding of the threat and its scale, and track changes over time. Whilst intelligence available on modern slavery and human trafficking is limited, the GFIU regularly engages with intelligence providers such as law enforcement, charities and other organisations working to counter such risks.

Specific typologies to identify and target financial indicators associated with sexual and labour exploitation and organised immigration crime have been developed, and the Group continues to innovate these in line with intelligence on the evolving nature of modern slavery. This is supported by our Group Vulnerability Strategy, which includes the training for our retail colleagues on how to identify suspicious activity and customers under duress that could indicate such crimes.

During 2021, we conducted investigations and assessments on various elements of modern slavery and human trafficking and developed specific typologies within the economic crime processes. The Group shared valuable intelligence outcomes with law enforcement bodies as well as internal stakeholders and business areas to further aid the prevention of modern slavery and human trafficking in the lending activities of the Group. As an active member of the Public Private Partnership Expert Working Group for Modern Slavery and Human Trafficking, in 2021, we led and coordinated the development of a cross-industry alert on labour exploitation in the agriculture sector. We are engaged with the National Crime Agency's Project Aidant, a series of multi-agency operational intensifications to tackle modern slavery and human trafficking, where the bank has been able to develop and use network analysis capabilities to share information for periods of law intensification.

An ongoing area of focus for the Group is the rise of child victims of modern slavery associated with drug trafficking operations in the UK. We currently work with The Children's Society through the National County Lines Coordination Centre taking part in the #LookCloser campaign to support and train Group colleagues in spotting behavioural and transactional indicators, and to understand how these are evolving as county lines dealers adapt their operations to the coronavirus pandemic.

Supporting victims of modern slavery

As the UK's largest retail bank, with a presence in nearly every community in the UK, we are well placed to help victims of modern slavery to rebuild their lives. As part of our Group Vulnerability Strategy, we are committed to providing meaningful support across the range of needs of our vulnerable customers, aiming to provide positive outcomes, and working to mitigate or reduce the risk of financial harm that customers may face.

The Group is committed to supporting access to mainstream banking for those who may be excluded, often due to the lack of availability of standard identification documents, such as those who have been experiencing homelessness, victims of modern slavery, those fleeing domestic abuse, or ex-offenders. We work closely with national and local charities to help those impacted by modern slavery regain their financial independence and to prevent further vulnerability to exploitation.

Since 2017, the Group has focused on helping survivors of modern slavery and human trafficking by mitigating two key banking challenges survivors face: fraud and identification.

Victims' bank accounts are often used by gangmasters for money laundering and other fraudulent activity which can prevent them from using banking services in future. To combat this, our Retail Application Fraud team works closely with recognised charities and the police to cross-check records and documents in advance to ensure that fraudulent records created as a result of the activity of the abusers do not cause the survivors to become a victim twice over.

As a result of their exploitation, survivors of modern slavery and trafficking may lack standard forms of identification. We have worked with a number of local charities to ensure accounts can be opened for people across the UK by developing flexible processes.

The COVID-19 pandemic has magnified existing challenges, and brought new challenges for our customers, affecting health, income and relationships. Following the introduction of government restrictions, adjustments were made to ensure that we could continue to assist vulnerable customers when face-to-face appointments were not possible.

In 2021 Lloyds Banking Group has assisted nine survivors of modern slavery (and a total of 70 since 2016). This year referrals have been lower, which we understand is linked with the disruptions caused by COVID-19 - we remain committed to helping all those we are able to.

Assessing and managing risk

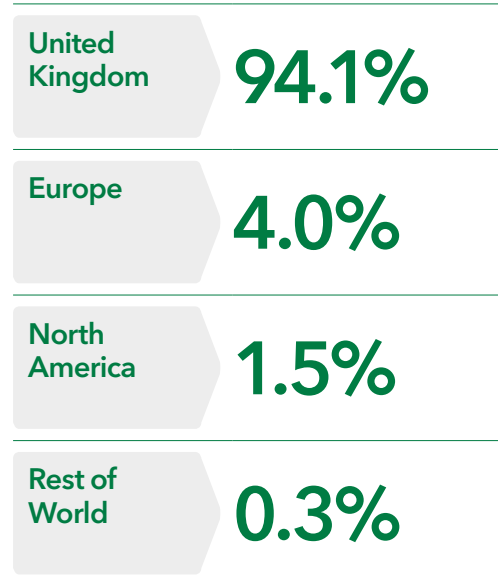
Our suppliers

Responsible sourcing is integral to the way we do business. All colleagues engaged in sourcing follow the defined Business Sourcing Process and undertake sourcing in line with the requirements of our Sourcing and Supply Chain Management Policy.

Assessing risk

We have analysed our suppliers based on geography, service sectors and spend. The majority of our direct suppliers are based in jurisdictions which are low risk for modern slavery, according to the Global Slavery Index.

Geographical split of supplier spend



In 2021, 84 per cent of our external supplier spend is in service sectors, considered low risk, and analysis of the remaining 16 per cent potential high-risk service sectors shows that 96.5 per cent of such spend has a supplier manager assigned to it. We have also introduced a predictive sustainability analysis tool which will help to further understand and identify inherent ESG risk across our supply chain, including labour and human rights.

Whilst 94 per cent of our supplier spend is incorporated in the UK, we acknowledge that the Group's supply chain is exposed to modern slavery through sectors such as IT hardware products, and services such as cleaning and catering which are potentially high risk due to connections with conflict materials and high numbers of low-paid, low-skilled, and temporary or migrant workers.

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.

Code of Supplier Responsibility

We expect suppliers to meet or exceed the provisions in our Code of Supplier Responsibility, which we share through the supplier contract as governed by our Business Sourcing Process. The Code of Supplier Responsibility defines our expectation in terms of responsible business behaviour, including human rights and labour issues in the countries and communities in which our suppliers operate. We require those suppliers going through the FSQS (a third-party managed supplier qualification system for the financial sector) to confirm they have read, understood and complied with the Code of Supplier Responsibility and provide us with evidence to demonstrate their approach.

We review our Code of Supplier Responsibility annually to embed responsible business and sustainability further into our business and we commit to working collaboratively with our suppliers on developing our approach to responsible sourcing and sustainable procurement. In 2021, we undertook a review of our Code to ensure it remains aligned to best practice. Supplier adherence to it is addressed through our sourcing and supply chain management processes.

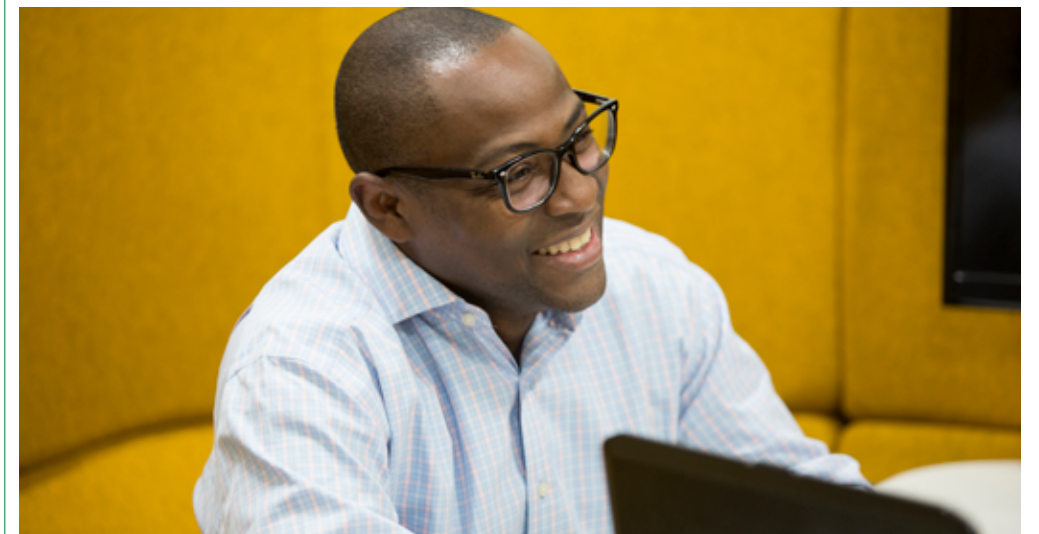
Policy framework

Our Policy framework articulates how we are committed to introducing responsible business practices that make it easier for our suppliers to do business with us. Suppliers are required to comply with the third-party versions of our policies when applicable to the services provided by that supplier to the Group.

Third party versions of our policies:

- Articulate Lloyds Banking Group's expectations with regard 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 control

Our Group Sourcing and Supply Chain Management Third Party Policy sets out our requirements for suppliers to manage and proactively work with their own suppliers in a responsible and sustainable manner to mitigate supply chain risks. For example, to prevent purchasing practices from putting undue pressure on workers in their supply chain, which can be a causal factor of modern slavery, we expect suppliers to have reasonable payment policies aligned to our own commitment to the Prompt Payment Code.



Our suppliers have a contractual obligation to comply with all applicable laws that apply to their supply of goods and services to us, regardless of the jurisdiction in which they operate. We also include compliance with the Code of Supplier Responsibility and Group policies as they relate to modern slavery, servitude and forced labour and human trafficking plus standalone modern slavery clauses in our supplier contracts and purchase order standard terms and conditions. These clauses seek to ensure that we receive appropriate information on suppliers' due diligence procedures to monitor modern slavery risks, including for their own supply chains and organisations.

These clauses are very rarely negotiated by Group suppliers; however, if we encounter any supplier amendments we go through an escalation and sign-off process with the business to consider the risks of any supply contract, particularly where there is a deviation from our standard clauses. The clauses related to modern slavery specifically are mandatory and cannot be negotiated without legal support.



Our suppliers

Due diligence

It is important that we have the right framework to operate responsibly and before selecting suppliers, we follow a due diligence process, which evaluates them against key criteria, including their human rights programmes.

FSQS

Lloyds Banking Group subscribes to the FSQS, a third-party managed supplier qualification system for the financial sector that is currently used by more than 45 financial institutions. 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 approximately 1,100 managed 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 that suppliers identify human rights risks such as modern slavery in their supply chain and monitor and assess their suppliers' human rights performance. Suppliers must complete the FSQS questions on an annual basis, and the responsible Group Supplier Manager who manages the supplier relationship 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.



Where a supplier fails to meet the expectations set out in the Code of Supplier Responsibility, we commit to working with it to develop an improvement plan. However if the issue is deemed sufficiently serious or cannot be resolved in a reasonable time frame, 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 to ensure it remains aligned to the requirements of our policy teams, agreeing any changes in collaboration with the broader FSQS members.

Assurance

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 include assessment of modern slavery risks as appropriate. We continue to pilot a specialist third-party sustainability assessment tool to provide insight on suppliers' management of issues across the key themes of labour and human rights, environment, ethics and sustainable procurement. In addition, we are using predictive sustainability analysis to help further understand our inherent risk across our supply base. In 2022, we propose to further embed this insight into our processes and increase our reach through a targeted supplier selection strategy.

Given the disruption caused by COVID-19, we have made adjustments to how we run our due diligence of suppliers. We have made no changes to our supplier management framework or our minimum expectations of our suppliers, so we continue to maintain the same high standards, albeit how we meet these has changed. For example, it has not been possible to conduct physical onsite supplier assurance visits since March 2020, and so all reviews continue to be conducted remotely. This is part of a comprehensive approach to supplier management that has aimed to minimise the health risks while protecting human rights across our supply chain - including a process to allow suppliers to work from home, where possible and without compromising security, and an approach to ensure the continuity of necessary financial services so that vulnerable customers are not adversely affected.

In 2021, there were no high-priority findings and no relationships exited as a result of issues with modern slavery.



1,100

managed suppliers to self-attest their compliance to the Group's policy expectations annually

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. 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 the prevention of human trafficking and modern slavery.

We continue to partner with the Clewer Initiative to raise awareness of a new tool to tackle modern slavery in farming, horticulture and food production in our branches. The Farm Work Welfare App is designed to support both employers and workers to spot the signs of labour abuse and what to do if they suspect that workers are being exploited. The guidance to UK colleagues is that any new customer who opens a financial product and states that they will be working in agriculture should be given a leaflet promoting the Farm Work Welfare App. Given their heightened risk of experiencing modern slavery and human trafficking, any migrant worker with limited English should also be offered worker rights leaflets from the Gangmasters and Labour Abuse Authority, even if there are no obvious behavioural signs of exploitation. Both leaflets are available in multiple languages.

In 2021 Invisible Traffick secured a three-year grant with the Group's Halifax Foundation for Northern Ireland (NI) to provide a Junior Education programme. This programme plans to target 75 primary schools throughout NI and will teach around 10,000 children about modern-day slavery, including online exploitation and will empower children to be aware of the signs and dangers, whilst also ensuring sensitivity.



Training

The Group is committed to raising awareness about modern slavery throughout the business to ensure that staff are equipped to respond to the changing nature of this hidden crime.

Modern slavery is included in our bespoke Fighting Fraud and Financial Crime training, which is mandatory for all UK colleagues in the Group to complete on an annual basis. This was refreshed at the end of 2019 and includes a specific modern slavery case study and the 'red flags' associated with modern slavery and human trafficking that will assist colleagues in detecting and reporting suspicious activity.

Group-wide training is further supported by targeted training for colleagues in specific roles that are more likely to encounter modern slavery.

Group Customer Vulnerability

For Community Bank colleagues: Induction training includes identifying and supporting customers in vulnerable circumstances and our annual mandatory training includes Customers in Vulnerable Circumstances. The Vulnerability team have developed modules on factors that can increase vulnerability such as domestic and financial abuse, along with reworking guidance on identification and verification to support customers lacking standard forms of identification.

Measuring effectiveness

We recognise that our review and assessment of our actions to identify and address modern slavery risks across our operations and supply chain will be an ongoing and evolving process. We use the following key performance indicators (KPIs) to better understand the effectiveness of our approach to managing modern slavery risks:

Number of colleagues trained in relation to modern slavery and trafficking

This is measured by colleague engagement with our annual Group-wide Fighting Fraud and Financial Crime training module which is mandatory for all UK colleagues and which, as outlined above, includes content on modern slavery. In 2021, 96 per cent of colleagues completed training in relation to slavery and trafficking.

Number of reports of modern slavery through our Speak Up line

In 2021, we had no reported incidents of human rights breaches, slavery or trafficking. However, as stated above, we recognise that modern slavery and human rights breaches can be difficult to detect and we remain committed to monitoring and, where necessary, improving our processes to ensure any occurrences of human rights breaches, modern slavery and trafficking are detected. Over subsequent reporting periods, we will continue to review and evaluate these KPIs and develop future metrics to assess the effectiveness of our actions, and enhance our monitoring over time, in line with continuous improvement.



Group Sourcing

In December 2021, colleagues attended annual modern slavery refresher training. It covered the risks and indicators of modern slavery, the requirements of the UK Modern Slavery Act and what the Group is doing to tackle the issue. Over 100 colleagues participated in the session which is available for all Group Sourcing and Supplier Manager colleagues to replay and download for future reference. We asked colleagues to compare their understanding of the issue of modern slavery and the relevance to their role before and after the training. Following the training all participants felt they had a stronger understanding of modern slavery and how it relates to their role.

Looking forward

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 Human Rights Policy Statement, which outlines the Group’s position on, and commitment to, embedding, human rights considerations into our business operations.

Looking forward, we will seek to:

- Raise colleague understanding of the risks and signs of modern slavery and human trafficking and how to respond including additional mandatory training for employees
- Increase opportunities for colleagues to engage with and learn from anti-slavery NGOs
- Strengthen external partnerships and collaborations with NGOs tackling modern slavery and human trafficking in the UK
- Continue to engage with the Independent Anti-Slavery Commissioner’s office on issues related to modern slavery and the role of the financial sector
- Further integrate human rights and modern slavery considerations into our relationships with clients, and review our reputation risk framework to consider small or medium-sized enterprises as well as larger corporate clients
- Continue to strengthen how we assess and manage risk in our supply chain
- Continue to support the financial inclusion of survivors of modern slavery, increase the number of accounts opened for survivors, and continue to build relationships with NGOs to understand the unique needs of survivors and ensure a survivor-led approach is taken regarding financial inclusion
- The Modern Slavery Working Group will meet bi-monthly to discuss key policies, risk assessment processes, and the Group’s human rights approach to identify gaps and improvements to address modern slavery and human trafficking



Looking forward



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



Chair

Robin Budenberg CBE
26 April 2022



Group Chief Executive

Charlie Nunn
26 April 2022



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