



Gambling & adult entertainment sector statements



Lloyds Banking Group
Gambling & adult entertainment sector statements
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Context

At Lloyds Banking Group (the Group), our purpose is Helping Britain Prosper. As one of the UK's largest financial services providers, we have an important role to play in creating a more sustainable and inclusive future for people and businesses. Given our unique position at the heart of the UK economy, we embrace our responsibility to help address some of the biggest economic, social and environmental challenges that the UK faces.

We are committed to operating in accordance with international standards including the International Bill of Human Rights¹, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the International Labour Organization Declaration on Fundamental Principles and Rights at Work. *Clients* must comply with all applicable laws and regulations, and we expect them to respect the human rights of both their own workforce and those in their supply chain.

Scope and Approach

These statements apply to the specific *client* entities that have a direct lending relationship with the Group, including direct loans from Scottish Widows².

The criteria set out in these statements form part of our broad multi-factor credit risk assessments and credit decisioning process, including any new or extended direct lending relationship with the *client*.

Insurance and Investment activities

Where our Insurance business invests its own funds or customer funds in assets traded in the public markets, these statements do not apply, and instead we use professional third-party asset managers. For our mandated funds where we have full control over investments, our asset managers are required to follow the Scottish Widows Exclusions Policy and the Scottish Widows Stewardship Policy as applicable. The overall ambition of these policies is consistent with the ambition of these sector statements, which is to align lending and investments with the transition to a sustainable and low-carbon economy, thus reducing our exposure to Environmental, Social and Governance (ESG) related risks that could translate into financial risk for both the *client* and the Group.

Risk Management

As a Group, managing risk effectively is fundamental to our strategy and future success. Our approach to risk plays a key role in the Group's strategy and is founded on an effective control framework, which guides how our colleagues work and behave and the decisions they make. As part of this framework, risk appetite – the amount and type of risk that the Group is prepared to seek, accept or tolerate in delivering our Group Strategy – is embedded in policies, standards, authorities and limits across the Group. Our prudent risk culture and appetite, along with close collaboration between the Risk Function and the Business Units, supports decision-making. All lending decisions are based on a comprehensive credit risk assessment of potential borrowers which includes credit, financial and other factors as part of our broad multi-factor risk assessment framework.

Addressing the potential impacts of climate change, how our *clients* are engaging with the opportunities and challenges created by climate change and the need to transition to a low-carbon economy plays a key role in our risk management approach to sustainability. Where ESG related risks may lead to financial exposure – such as regulatory penalties, litigation, operational impacts or stranded assets – they are considered in credit decisions as part of our broad multi-factor risk-based assessment.

We use individualised, risk-based assessments to evaluate ESG related risks that could translate into financial exposure. ESG risk management is integrated into our broad multi-factor risk-based decisions where material ESG factors could affect creditworthiness or operational resilience.

We have a range of external sector statements that apply to the Group's *direct lending* activities, which reflect the approach we take to the risk assessment of our *clients* related to climate change and other ESG related issues.

Client Monitoring and Due Diligence

In all sectors *clients* must comply with all applicable laws and regulations. If we become aware that a *client* has breached any applicable international, regional or national laws, we would require the *client* to implement action plans that aim to address and resolve such breaches.

¹ Comprising the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights.

² Sector statements are applicable to *clients* where we can identify *client* activity by their standard industry classification (SIC) code (excluding automated decisioning for smaller counterparties, currently for new lending of £100,000 or less).

Where appropriate, we maintain regular engagement with *clients* with whom we have a direct lending relationship, including reviewing publicly available information such as filings, press coverage and analyst reports. ESG related risks are considered for all such *clients* and are addressed in new and renewal credit applications. We take a risk-based and bespoke approach to ESG risk assessment for specific sectors and financial thresholds, recognising that the nature and materiality of ESG related risks can vary significantly across industries. For project finance activity, the Group is a signatory to the Equator Principles and applies them to all relevant transactions.

As part of our control framework and to monitor *client* adherence to our sector statements, we have a number of ESG Risk Management processes in place, which are outlined in the Risk Management section of our [Group Sustainability Report](#). These include processes for assessing counterparties and transactions in relation to environmental risks, including both climate and nature considerations, alongside social and governance considerations.

To assess these risks effectively, we use our ESG Risk Tool, which incorporates tailored assessments designed to identify and mitigate potential risks. These assessments form part of our broad multi-factor credit assessment, ensuring transparency and accountability. Higher-risk *clients* and transactions are subject to enhanced due diligence, with defined escalation routes overseen by ESG Credit Risk specialists. This process helps ensure that ESG related risks with potential financial implications are appropriately addressed within the credit decisioning.

We regularly review all of our *clients* with whom we have a direct lending relationship, and where we identify that they appear to be operating below our requirements, we will work with our *clients* to understand how they plan to transition to meet them.

Statement Criteria

Our statements outline a number of criteria for our *clients*, which are grouped into the following categories.

| | | | |
|---|--|--|--|
| <p>Prohibited</p> <p>Mandatory criteria that <i>clients</i> must not be breaching at the organisational or project/ transaction level as relevant.</p> <p>Example: “We will not provide financing to...” “We will not provide direct financing...” “We will not provide project specific finance...”</p> | <p>Required</p> <p>Mandatory criteria that <i>clients</i> must meet at the organisational or project/ transaction level as relevant.</p> <p>Example: “We will only provide financing to...”</p> | <p>Expected</p> <p>Non-mandatory criteria we expect <i>clients</i> to meet or to comply with over time.</p> <p>Example: “We expect <i>clients</i>...”</p> | <p>Encouraged</p> <p>Non-mandatory criteria we encourage <i>clients</i> to consider, given industry best practice.</p> <p>Example: “We encourage <i>clients</i>...”</p> |
|---|--|--|--|

Words in *italics* are defined in the Glossary table and clarify the intended scope of certain words in this statement.



Adult Entertainment

Context

We recognise that there are several risks related to adult entertainment activities, specifically human rights issues related to human trafficking, modern slavery, forced labour, sexual exploitation and gender inequality, alongside economic crime related risk. Due to the risks associated with these activities, the Group has implemented *direct lending* restrictions in a number of areas outlined below.

Further detail on our approach to mitigating the human rights risks can be found in our Modern Slavery Statement and Human Rights Policy Statement which can be found on the Group's [website](#).

Our approach to human rights issues

Where the Group is made aware of concerns related to *human rights violations*, we will engage with the *client* to understand the concerns and actions taken by the *client* to remediate any risks identified and prevent future re-occurrence.

The Group is aware of the risks and the influence it can have in combatting modern slavery and human trafficking through its economic 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. More detail on how we address modern slavery and human trafficking through our economic crime approach is available in our Modern Slavery Statement. This is supported by our Group vulnerability strategy, which includes training for our retail colleagues on how to identify suspicious activity where individuals with whom customer-facing colleagues interact may be under duress, which is a potential indication that crime may be taking place.

We offer support to the survivors of financial abuse and modern slavery to empower survivors with the knowledge and skills to manage their finances effectively, supporting them in their journey towards independence and a better future, and work closely with civil society groups, non-governmental organisations and experts in modern slavery, trafficking and human rights to better understand the role of the Group in combatting these issues and preventing sexual exploitation.

More detail on our monitoring controls, initiatives to support survivors and organisations and experts with whom we engage is available in our Modern Slavery Statement and on the Group's website [here](#).

Scope

Our approach covers *the following activities*:

- Operating businesses that facilitate prostitution
- Online *Pornography*
- The production or publishing of pornographic material
- Sex cinemas
- Sale and/or advertising of sexual services
- Adult massage parlours
- Sexual entertainment venues (including lap dancing, pole dancing, table dancing, strip shows, peep shows and live sex shows)
- Unlicensed retail sex shops
- Dating websites and applications where the primary purpose is some form of sexual entertainment or sexual contact
- Sex chatlines/chatrooms (TV, internet or telephonic)

Company Level Criteria

Prohibited

We will not provide new financing to clients directly involved in any of the activities listed above in the Scope.

The background features a dark green field with large, flowing, organic shapes in a lighter green and black. These shapes create a sense of movement and depth, framing the central text.

Gambling

Context

We recognise that there are several risks related to *gambling* activities and the potential for associated financial difficulties and hardship which may impact communities. We have therefore developed specific criteria to manage the heightened risks associated with *gambling*.

Broadly, to support *individual customers* of the Group, who may be impacted by *gambling* activity, we offer the ability to apply a freeze on *gambling* spend, or personalised limits on how much they spend each month on *gambling* using their debit card through our banking app. Although many people can gamble safely, for some it can become a problem which can become out of control.

Our *individual customer* facing colleagues are trained to support *individual customers* in dealing with a range of personal challenges that may be impacting their finances, including *gambling*, and we also work with charities such as Gamble Aware and GamCare to ensure *individual customers* who require additional attention are able to receive support from trained specialists. Further support for *individual customers* is available [here](#).

Scope

Our approach covers the *following activities*:

- Online/Remote Gaming/ *Gambling* including software producers
- Arcades and gaming machines (non-remote)
- Betting/Book Makers/Turf Accountants
- Bingo
- Casinos
- Lotteries
- Pool betting
- Betting intermediaries

The approach excludes:

- Small-scale private lotteries for fundraising activities which do not require oversight by the UK Gambling Commission
- Manufacture and retail activities related to arcade machines

Company Level Criteria

Prohibited

We will not provide financing to:

- *Clients* that are professional *gambling* syndicates
- *Clients* that earn the majority³ of their revenue from fixed odds betting terminals

Required

We will only provide financing to:

- Gaming, *gambling* and lottery business *clients* who are regulated by the UK Gambling Commission or are operating in any country with the appropriate licences, authorities and consents

Expected

We expect:

- *Clients* to be members of a relevant responsible *gambling* organisation⁴ and promote responsible *gambling* practices

Enhanced Due Diligence

As a result of our UK focused business strategy, UK licensing requirements guide many of our lending decisions. We require our *clients* to be compliant with relevant legislation, licensing and advertising requirements related to the sector and products. Consequently, we undertake appropriate enhanced due diligence on corporate *clients* within this sector.

³ Majority of revenue is defined as >50%.

⁴ UK Gambling Commission: [Public Register](#) of licensed businesses, individuals, regulatory actions and premises.

Glossary

| Terms | Definition |
|---|---|
| Client(s) | Client(s) refers to businesses and does not include individuals. |
| Directly involved in/ directly involve | This refer to all activities and sites over which the client has operational or financial control. |
| Finance, financing or direct lending | Finance, financing or direct lending refers to all primary lending activity by the Group. Passenger or light commercial vehicle leasing/ financing activity is not included. |
| Gambling | This refers to activities as defined by the UK Gambling Act 2005. |
| Human rights violation | Actions that infringe upon the fundamental rights and freedoms to which all individuals are entitled. A violation of any right that is inherent to human beings regardless of race, sex, nationality, ethnicity, language, religion or any other status. Human rights include the right to life and liberty, freedom from slavery and torture, freedom of opinion and expression, the right to work and education, and many more ⁵ . |
| Individual customer(s) | Individual customer refers to non-business customers of the Group. |
| Pornography | This is understood to be sexually explicit material (verbal or pictorial) or erotic material that is primarily or wholly designed to produce sexual arousal in viewers. Pornographic activity may use a variety of media including print, visual, film, online and games. This does not include material whose aim is to create an artistic or political point. |

⁵ Human Rights | United Nations

Disclaimer

These sector statements are intended to set out, at a high level, how Lloyds Banking Group approaches and manages selected sustainability-related issues across certain sectors. These statements are intended to provide non-exhaustive, indicative and general information only, and there can be no guarantee as to the accuracy, currency or completeness of the information contained in these statements.

These statements represent our policy positions as at the date of publication and their application may be affected by a wide range of circumstances some of which may be beyond our control, including, but not limited to, legal requirements or prohibitions in particular jurisdictions, government policy, the overall regulatory environment and/or client behaviour, and the application of these statements remains subject to compliance with local laws and regulations. These statements may be varied due to the foregoing or other factors and/or replaced at any time without notice or giving reason, and no assurance or representation is given that these sector statements will meet any present or future expectations or requirements, or be followed in all instances. We accept no obligation or duty to update these statements or provide notice of any exceptions.

These sector statements may contain forward-looking statements, including as to our intentions and objectives, which are based on current expectations and projections about future events. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Lloyds Banking Group's ability to control or predict. Forward-looking statements are not guarantees of future actions.

These sector statements do not form part of any offering documents and are not binding (contractually or otherwise). These sector statements are for Lloyds Banking Group's use only and Lloyds Banking Group accepts no duty of care, responsibility or liability in relation to these statements or their application or interpretation, including as to their accuracy, completeness or sufficiency, or any outcomes arising from the same. No representations or warranties, express or implied, are made as to the fairness, accuracy, completeness or correctness of the information contained in these statements. We do not accept any liability to any party for any loss, damage or costs howsoever arising, whether directly or indirectly, whether in contract, tort (including negligence) or otherwise from any action or decision taken (or not taken) as a result of any person relying on or otherwise using these statements or arising from any omission from them. Third parties should seek their own independent advice before making any decisions based on the information provided in these statements. Lloyds Banking Group is under no obligation and does not give any undertaking to provide any additional information in relation to these sector statements or their application, or to update these sector statements to correct any inaccuracies or errors.