

LLOYDS  
BANKING  
GROUP



# MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT 2016

Published June 2017

## About Lloyds Banking Group

We are a leading provider of financial services to individual and business customers in the UK. We have around 25 million customers and 1 million small business customers. Our main business activities are retail and commercial banking, general insurance, and long-term savings, protection and investment. We provide our services through a number of well-recognised brands, including Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows, using a range of distribution channels, including the largest branch network and digital bank in the UK. More information about the Group and our strategy is available in the Strategic Report section of the 2016 [Annual Report](#).

As at 31 December 2016, we employed approximately 71,000 colleagues (on a full-time equivalent basis), of whom around 99% were based in the UK. We have recognition agreements with two trade unions, Accord and Unite, which collectively negotiate on behalf of approximately 95% of colleagues.

Our supply base comprises approximately 4,000 companies, the majority of which are in professional services sectors such as management consultancy, legal, HR, IT, marketing and communication and the majority are located in the UK, other European countries or North America. In 2016 we paid £5.3 billion to our suppliers.

## Lloyds Banking Group Modern Slavery and Human Trafficking Statement 2016<sup>1</sup>

Lloyds Banking Group welcomes the UK Modern Slavery Act 2015 to encourage businesses to actively address human rights issues, including forced labour and human trafficking<sup>2</sup>.

We are committed to doing business responsibly and to taking meaningful steps to ensure that workers' fundamental rights and freedoms are respected. We have a zero tolerance approach to slavery, trafficking or forced labour in any part of our business or supply chain.

This Statement sets out the steps we have taken, and continue to take, to prevent slavery and human trafficking in our supply chain or in any part of our business. We understand that the financial sector has an important role to play in supporting human rights and we have policies and governance processes in place to mitigate risks in relation to our employees, customers and suppliers.

We aim to align our activities and policies with international best practice and recognised standards. We are signatories to the [UN Global Compact](#), and operate in line with its ten principles. Our annual Communication on Progress is available [online](#).

This Statement covers our financial year 2016. It applies to Lloyds Banking Group plc and its subsidiaries<sup>3</sup> and was approved by the Boards of Lloyds Banking Group plc, Lloyds Bank plc, Bank of Scotland plc and HBOS plc in April 2017.

---

<sup>1</sup> This Statement is made pursuant to section 54(1) of the UK's Modern Slavery Act 2015 and constitutes the Slavery and Human Trafficking Statement for the Lloyds Banking Group and its subsidiaries for the financial year ending 2016.

<sup>2</sup> For the purposes of this Statement, references to slavery and human trafficking are based upon the definition in the UK's Modern Slavery Act 2015.

<sup>3</sup> Excluding MBNA Ltd which has published their own statement covering the reporting period.

---

## Our Policies

Operating responsibly requires us to run our business in ways that meet all relevant legal and regulatory requirements. We have in place a number of internal policies and procedures which reflect our commitment to operating responsibly and ethically both at a business and an individual level. These include our Group Ethics and Responsible Business Policy, Group Colleague Policy, Speak Up Policy and Anti-Bribery Policy. Our [Code of Responsibility](#) provides clear guidelines for doing business fairly and responsibly in line with our Group Values of putting customers first, making a difference together and keeping it simple.

In our internal operations, we have a Pre-employment Vetting Policy and Group Wide Vetting Standards, which apply to all permanent or non-permanent employees who we recruit.

To reinforce our responsible sourcing practices, our internal Sourcing Policy outlines that:

- the Group has no appetite for unethical treatment of our suppliers
- all colleagues engaged in sourcing must follow the defined Business Sourcing Process
- all colleagues must undertake sourcing in line with the requirements of the aforementioned Group Ethics and Responsible Business Policy

## Our supply chain

In 2017 we published our revised [Code of Supplier Responsibility](#), which defines what we expect from our suppliers to ensure responsible sourcing is an integral part of how we do business.

We expect all suppliers to sign up to this Code and provide us with evidence to demonstrate their approach to responsible business issues.

The Code addresses seven specific issues, including human rights, and details the expectations we place on our suppliers and those in their supply chains. Our expectations are that suppliers:

- respect the human rights of their employees and comply with all relevant legislation, regulations and directives in the countries and communities in which 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 legally 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

## Embedding our Policies

Colleagues are required to review the Group's [Code of Responsibility](#) every year as part of the mandatory training curriculum, which also includes mandatory Speak Up (whistleblowing) training. When this training is completed, colleagues are expected to understand their responsibilities under the Code of Responsibility and to adhere to them every day.

Policy owners across the Group define, own and monitor key People Policy controls in line with our people risk appetite and business areas are required to set their strategies in line with this appetite and our policy requirements.

### Our supply chain

In 2015, we provided introductory training to Group Sourcing colleagues, covering the requirements of the Modern Slavery Act and the risks of slavery and human trafficking. From 2017, modern slavery training will be included in our revised mandatory e-learning course for Supplier Managers. Guidance on modern slavery risks is provided on our on-line supplier management portal.

## Governance

We have an effective top-to-bottom governance structure that ensures colleagues are supported to work responsibly and manage risk effectively. This structure includes our Board and Board-level Responsible Business Committee and extends to every part of our business through our Group Executive Committee and Executive-level Responsible Business Management Committee. More information about our Corporate Governance structure can be found in our [Annual Report](#).

### Our supply chain

Group Sourcing provides the framework, tools, processes and governance for the Supplier Management population across the Group. This specialist capability and delivery is overseen by the Supplier Management Governance Committee, an Executive-level committee that represents and commits members' business units to embed agreed strategies and best practice.

## Assessing and managing risks

We recognise that the financial sector has a responsibility to respect the human rights of its employees, suppliers and ultimately its customers. We have been an active supporter of the Joint Money Laundering Intelligence Taskforce (JMLIT) since its inception in 2015. We work cooperatively with JMLIT members to tackle financial crime, including modern slavery and human trafficking which is one of JMLIT's operational priorities.

The Board ensures that senior managers implement risk policies and risk appetite that either limit or where appropriate, prohibit activities that could be detrimental to the overall risk profile of the Group. We have a conservative business model that embodies a risk culture founded on a prudent approach to managing risk. We avoid business activities that are not aligned with our risk appetite including our appetite for people risk, and maintain a governance structure that ensures oversight of significant risks and provides clear, transparent and timely risk reporting of performance against all of our risk appetite measures.

This approach to risk is embedded through our policies which provide clear minimum standards for colleagues, driving behaviours which reflect our Group Values and ensuring compliance with legal and regulatory requirements.

### Our Suppliers

Our suppliers must complete our two-stage Supplier Qualification System (SQS), an online tool that enables them to submit assurance and compliance data to us. All suppliers are requested to confirm they have read, understood, and will comply with, our [Code of Supplier Responsibility](#). We also ask suppliers to provide evidence of processes and procedures for assessing and complying with relevant human rights legislation and standards, including the Modern Slavery Act.

In instances where the SQS identifies a supplier as being at higher risk, Group Sourcing colleagues undertake supplier assurance visits to validate adherence to our policies including the Code of Supplier Responsibility. Our Group Sourcing colleagues carried out 59 supplier assurance visits in 2016.

We are currently working to identify the relative level of modern slavery risks represented by our direct (tier 1) suppliers, with which we have a direct contractual relationship, and our wider supply chain. We have found that the majority of our direct suppliers represent a low risk of modern slavery and human rights abuses. Over 70% of our external supplier spend is in low risk sectors such as management consultancy, legal, HR, IT, marketing and communication and 99% of our direct suppliers are based in Europe or North America. According to the Global Slavery Index 2016, these geographies are considered low risk for modern slavery. Although we recognise that these geographies are not immune to the risks of human rights abuse, we consider the risks to be less than they would be if these suppliers were located in other jurisdictions or sectors.

We include standard modern slavery clauses in our supply contracts. The clauses agree appropriate contractual obligations with suppliers to manage modern slavery risks and ensure that we receive appropriate information on their supply chain and organisation, including a copy of their modern slavery statement, if applicable.

The information generated from our Supplier Qualification System informs our risk management activities. If a supplier is not yet compliant with the Code of Supplier Responsibility, the Supplier Manager may work with them on the development of an improvement plan. However, if the issue is deemed serious or cannot be resolved in a reasonable time frame, we may undertake a review of the terms of the contract. This may include a change to the services or products we buy in accordance with any applicable contractual right of termination for material breaches of the Modern Slavery Act.

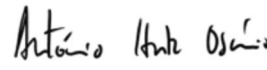
## Looking ahead

We will continue to monitor, embed and build on our approach to identifying and mitigating modern slavery and human trafficking risks in our business and in our supply chain.

Signed by:



**Lord Blackwell**  
Chairman



**António Horta-Osório**  
Group Chief Executive



### Tell us what you think:

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

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

@LBGNews

Available in alternative  
formats on request.