

LLOYDS
BANKING GROUP



MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT 2017

About Lloyds Banking Group

We are a UK financial services provider with around 27 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 under well recognised brands including Lloyds Bank, Halifax, Bank of Scotland and Scottish Widows.

We employ approximately 68,000 employees (on a full-time equivalent basis), of whom 99 per cent work in the UK.

Our active supply base comprises approximately 4,000 suppliers, 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.

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.



Find out more

About our Group in our 2017
Annual Report and Accounts

Modern Slavery and Human Trafficking Statement 2017

This Statement outlines the steps we have taken in the last twelve months to prevent or address slavery and human trafficking in our business.

This is our second Modern Slavery and Human Trafficking Statement¹. It is made pursuant to 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 2017.

This Statement was approved by the Boards of Lloyds Banking Group plc, Lloyds Bank plc, Bank of Scotland plc and HBOS plc in February 2018.

It outlines the steps we have taken in the last twelve months to prevent or address slavery and human trafficking in our business and supply chain, including:

- Raising colleague awareness of the risks of modern slavery and human trafficking (see page 4)
- Contributing to efforts to combat modern slavery and human trafficking through financial crime prevention mechanisms (see page 5)
- Building on our processes that relate to modern slavery and human trafficking (see page 6)

We have a zero tolerance approach to slavery, trafficking or forced labour in any part of our business or supply chain. We aim to align 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, and the ILO (International Labour Organisation) labour standards.

Our corporate governance structure ensures that colleagues are supported to work responsibly and manage risk effectively. This structure includes our Board and our Board-level Responsible Business Committee. It extends to every part of our business through our Group Executive Committee and Executive-level Committees.

Group Sourcing provides the framework, tools, processes and governance for all Supplier Management employees. This specialist capability and delivery is overseen by the Supplier Management Governance Committee, which is chaired by the Group Sourcing and Supply Chain Management Director. The Committee is made up of representatives from across the Group and embeds strategy and best practice.



Find out more

[Read our UN Global Compact Annual Communication on Progress online](#)

[Read our annual UN PRI Report online](#)

¹ 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.

Our Policies

As outlined in our 2016 Statement, we have a number of internal Group Policies and procedures in place that reflect our commitment to operating responsibly and ethically as a business and as individual employees.

These include our internal Ethics and Responsible Business, Colleague, Sourcing, Speak Up (whistleblowing) and Anti-Bribery Policies. Each business area is required to set its strategies in line with our risk appetite and our policy requirements. Our Group Policies and associated procedures and mandatory training, were reviewed in 2017 as part of the governance of the Group's Policy and Risk Management Frameworks. Their review reflects our efforts to continually improve our Responsible Business governance approach.

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 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. We revised the Code in 2017 and it will be subject to a further annual review in 2018.

All employees are required to review the Code and complete Speak Up (whistleblowing) training every year as part of the mandatory training curriculum. After training they are expected to understand their responsibilities and to adhere to them every day.

In 2017, we used the United Nations Guiding Principles on Business and Human Rights to guide the development of our Human Rights Policy Statement and the Group's broader approach to human rights.

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. It includes the review of individuals' proof of identity, address, and right to work in the UK. A third-party supplier manages the vetting process on our behalf and following discussions with the supplier in 2017 we established that they have controls and colleague training in place to manage their obligations under the Modern Slavery Act. We aim to ensure there is continued dialogue on these issues in 2018.

We have recognition agreements with two trade unions, Accord and Unite, which collectively negotiate on behalf of 98 per cent of our UK employees and approximately 95 per cent of employees worldwide. The 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 statutory minimum wage requirements. We have worked, and continue to work with third-party contractors and suppliers to ensure that they operate in line with our commitments. We expect our suppliers to ensure that the wages they pay meet legally mandated minimums without unauthorised deductions.

To reinforce our responsible sourcing practices, our internal Sourcing Policy states 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 Group Ethics and Responsible Business Policy



Find out more

[Code of Responsibility](#)

[Anti-bribery Policy Statement](#)

[Ethical Policy Statement](#)

[Human Rights Policy Statement](#)

[2016 Anti-Slavery and Trafficking Statement](#)

Our suppliers

In 2017 we amended our Code of Supplier Responsibility, which defines what we expect from our suppliers in order to ensure responsible sourcing is integral to the way we do business. We simplified the format of the Code and revised the content to distinguish more clearly between what is expected from suppliers and what they are encouraged to do. We expect all suppliers to conform to the Code and provide us with evidence to demonstrate their approach to responsible business issues, including human rights and labour issues.

We expect suppliers to:

- Respect the human rights of their employees and comply with all relevant legislation, regulations and directives 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.

We include our standard modern slavery clauses in our supplier contracts and purchase orders' standard terms and conditions. We go through an escalation and sign off process with the business to consider the risks of any particular supply contract from which these are removed. 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 applicable. Our suppliers have a contractual obligation under our standard modern slavery clauses 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. This includes the Modern Slavery Act and any local legislation that is aimed at combating modern slavery.



Find out more

[Code of Supplier Responsibility](#)
[Third Party Supplier Policies](#)

Speak-up



We expect our suppliers to have their own whistleblowing policy and facility but suppliers and their workers can also report any incidents through our confidential Speak Up Line. An independent supplier, Expolink, manages the line and we have worked with Expolink to ensure that, if instances of modern slavery or other human rights abuses are reported, they would be identified, and effectively and sensitively investigated. During the course of the next financial year, we intend to continue regular communication with Expolink to discuss these issues, and offer training if appropriate.

In 2017 we had no reported incidents of human rights breaches, slavery or trafficking from our suppliers.

Training

To raise employees' awareness of this priority area for our business, we have developed and delivered the following training courses and guidance:

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- Annual Anti Money Laundering mandatory training, which 98% of colleagues completed in 2017. This included references to human trafficking as a predicate crime and provided a specific modern slavery case study as an example.
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- A mandatory e-learning course for Supplier Managers, which includes content on modern slavery and human trafficking.
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- Introductory training for all Group Sourcing colleagues on the requirements of the Modern Slavery Act and the risks of slavery and human trafficking. The content from this training is also available for colleagues to replay and to download for future reference.
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- Guidance on modern slavery risks which is available through our online supplier management portal.
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- Modern slavery and human trafficking masterclass sessions were delivered to specialist Financial Crime colleagues and Lloyds, Halifax and Bank of Scotland branch colleagues.
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- Through our membership of Transparency International (TI), and in order to raise external awareness of the links between tackling modern slavery and anti-bribery, colleagues from our Financial Crime team delivered a presentation in November 2017 to fellow TI members.

Assessing and managing risks

We avoid business activities that are not aligned with our risk appetite, including risks pertinent to people. We also 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.

We recognise that 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. In order to mitigate this risk we have implemented monitoring controls which will help to identify activity which may be indicative of proceeds relating to modern slavery and/ or human trafficking.

We are working with others to tackle modern slavery effectively. We are a founding member of, and active participant in, the Joint Money Laundering Taskforce (JMLIT), which was launched in 2015. 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. In addition to addressing the cases that are identified by JMLIT, in 2017 we created our own intelligence monitoring report in order to take a proactive role in identifying potential perpetrators and/ or victims of sexual exploitation, as a form of modern slavery. We share all relevant information with the National Crime Agency as required.



Working with others

Together with other financial service providers, we support the work of the Financial Action Taskforce to rank indicators that could help to identify incidences of modern slavery and human trafficking. The Taskforce is an intergovernmental organisation that focuses on combating money laundering. We are providing input to help produce a report that will:

- Detail recent developments in the nature and scope of human trafficking, and associated modern slavery, sexual exploitation, and forced labour, and the laundering of proceeds from this crime, as well as any identifiable links with terrorist financing.
- Provide new, more precise risk indicators: to update risk indicators that assist the private sector (particularly, banks and Money or Value Transfer Services) in financial transactions or flows associated with detecting human trafficking networks, and associated modern slavery, sexual exploitation, and forced labour.
- Identify good practices: initiatives and mechanisms to detect, deter, disrupt, and investigate human trafficking networks and offences, and associated modern slavery, sexual exploitation, and forced labour, utilising financial information and intelligence.

Assessing and managing risks continued

Our Suppliers

We subscribe to the Financial Supplier Qualification System (FSQS) in order to standardise and manage our approach to compliance and assurance, which forms an integral part of our sourcing process. We take a risk-based approach and annually require our top 1,200 suppliers with a spend greater than £25,000 to self-attest. As part of the FSQS, they are asked to provide evidence of processes and procedures for assessing and complying with relevant human rights legislation and standards, including the Modern Slavery Act. It is a mandatory requirement for suppliers to complete the FSQS questions, and employees that manage the supplier relationship (Supplier Manager) must confirm that it is done satisfactorily throughout the duration of the contract.

Our Supplier Managers help suppliers complete the FSQS process annually. If a supplier provides a non-compliant answer to any Responsible Business question, generating a 'red flag', our Supplier Managers are required to agree a remediation plan. If the issue is deemed serious or cannot be resolved in a reasonable timeframe, we may undertake a review of the terms of the contract.

In addition to the Annual FSQS process, our Group Sourcing Supplier Assurance team conducts an annual programme of reviews on a subset of our suppliers. Suppliers that trigger our agreed risk criteria may be selected for an onsite Supplier Assurance visit by Group Sourcing. This visit will test their adherence to the applicable Group Policies and may include an assessment of the Ethics & Responsible Business test plan if appropriate. In 2017, there were no identified cases of modern slavery or human trafficking from the onsite supplier visits.

In 2017, we worked with our third-party supplier information management solutions provider and members of the FSQS community to further enhance the questions used to assess suppliers in relation to modern slavery and human trafficking and elicit additional information about the policies, standards, training and risk assessment processes that suppliers have in place.

Building on our process last year, we mapped our supply chains in 2017 to assess risk in particular geographies and sectors. We found that the majority of our direct suppliers represent a low risk of modern slavery. Over 70 per cent of our external supplier spend is in low risk sectors, such as management consultancy, legal, HR, IT, marketing and communication. The remaining spend is in operations, property and travel, and customer products. 94 per cent of our direct suppliers are located in the UK, 4 per cent in other European countries, 1 per cent in North America and the remaining 1 per cent in other countries, including India, Israel and Hong Kong. According to the Global Slavery Index 2016, 99 per cent of our suppliers are in geographies that are considered low risk for modern slavery.



Find out more

[Working with suppliers](#)

Areas of Focus



Based on geography, sector and spend, we identified the following areas of focus:

- Product sectors such as cleaning, catering, property and security: recognising that these sectors are potentially higher risk, we have consolidated these under one managed service agreement to enable us to better manage this risk. The supplier is based in the UK, and a dedicated Supplier Manager supports this relationship.
- Supplier of uniforms: we have a single UK-based provider of uniforms. Following engagement with this supplier, it has confirmed that it takes its responsibilities in relation to modern slavery seriously and is a member of the Ethical Trading Initiative and SEDEX. It is managed by a dedicated Supplier Manager.
- Suppliers in India: our suppliers in India, including IT providers, are large global firms which have undergone rigorous due diligence and are managed by dedicated Supplier Managers.

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. In particular, we will continue to focus on raising awareness of modern slavery and human trafficking amongst key stakeholders, expanding our efforts to combat modern slavery and human trafficking as a financial crime, and building on our risk assessment processes.

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

- Number of colleagues trained on slavery and trafficking.
- Number of reports of modern slavery through our Speak Up line.

Signed by



António Horta-Osório
Group Chief Executive



Lord Blackwell
Chairman, Lloyds Banking Group



Queries or comments
can be shared at any
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Available in alternative
formats on request.