

GROUP ECONOMIC CRIME PREVENTION POLICY – ANTI-BRIBERY

 <p>LLOYDS BANKING GROUP</p>	<p>ECONOMIC CRIME PREVENTION POLICY – ANTI-BRIBERY</p> <p>SUMMARY FOR THIRD PARTY SUPPLIERS</p>
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RATIONALE

Group Policy Rationale

This Policy has been designed to assist in managing economic crime risk specifically, the risk of payments, offers, promises of a bribe (making a bribe) or receipt, requests or acceptance of a bribe (being bribed) by an individual or associated party. This includes the following risk drivers:

- Failure to comply with anti-bribery legislation both in the UK and in the other jurisdictions in which Lloyds Banking Group (the Group) operates;
- Failure to maintain consistent, proportionate and effective approach to anti-bribery;
- Failure to respond effectively to 'an offer or acceptance of any gift, fee, reward or other advantage to or from any person as an inducement to do something improper in the conduct of the Group's business, which is dishonest, illegal or a breach of trust'. This includes offers and promises to give as well as requests and agreements to receive bribes.

In addition, this Policy has been designed to support compliance with the following legislation and / or regulations:

- Bribery Act 2010, in particular sections 1, 2 and 7 which enable the prosecution of individuals and commercial organisations;
- Bribery Act 2010 Guidance about procedures which relevant commercial organisations can put into place to prevent persons associated with them from bribing (section 9 of the Bribery Act 2010) including the six Ministry of Justice (MoJ) principles;

Proceeds of Crime Act (POCA) 2002;

- Financial Conduct Authority (FCA) Handbook - Principles for Business, in particular, principles 1, 2, 3 and 8;
- FCA Financial Crime – a Guide for Firms (in particular Part 1 – sections 2 & 6, Part 2 – sections 9 & 13);
- US Foreign Corrupt Practices Act 1977; and
- Any other jurisdictional legislation that has extra-territorial application.

The Group has a moral and ethical duty to act with the highest standards of integrity and honesty in all it does. The Economic Crime Prevention Policy provides a consistent, proportionate and effective approach to economic crime risk management through a framework of core requirements.

The Group has no appetite for breaching bribery legislation and/or regulation. This includes activities conducted by an external party supplying services for or on behalf of the Group, or acting on the Group's behalf (the "Supplier").

GROUP ECONOMIC CRIME PREVENTION POLICY – ANTI-BRIBERY

In jurisdictions where the local legislative and regulatory requirements exceed the requirements set out in this document, the Supplier must comply with any higher standards.

Customer Impact

The Group's vision is to be the best bank for customers. The Economic Crime Prevention Policy supports this vision and the aim of providing investors with strong, stable and sustainable returns by:

- Complying with legal and regulatory requirements;
- Understanding the Group's risk appetite;
- Implementing internal processes and controls including appropriate risk assessment to mitigate the risk of bribery; and
- Receiving adequate training and thereby understanding how to act in an ethical manner.

SCOPE

This third-party version of the Policy applies to suppliers where it has been identified that the Group Policy applies to the provision of their goods and or services.

MANDATORY REQUIREMENTS – GENERAL

Principal prohibition

The Supplier, and anyone engaged by the Supplier to act for or on behalf of the Group, **must not**:

- a. offer, promise, give, request, agree to receive or accept a bribe; or
- b. do anything to circumvent controls in place to deter, prevent or detect bribery.

Required procedures

In order to comply with legislative requirements, the Group's approach to managing the risk of bribery is informed by the six core principles contained in the UK Ministry of Justice Guidance issued under Section 9 of the UK Bribery Act 2010.

The Supplier must ensure that in respect of the activities carried out for or on behalf of the Group, it operates policies and procedures (including controls, processes and operations) designed to manage the risk of bribery, which are:

- proportionate to the bribery risk (as identified through a risk assessment exercise);
- appropriate and relevant for the type of business;
- communicated to relevant parties (internal and external), including the Group;
- documented in a clear comprehensible manner and accessible to all relevant persons; and
- reviewed regularly to ensure they remain up-to-date and reflect current practice.

Prevention of Corruption

Corruption is defined as the abuse of entrusted power for private gain and is a term used to describe a wide range of financial misconduct.

The Group has zero appetite for acts of corruption committed by colleagues, customers or suppliers. Any incidents or potential incidents of corruption (by employees of the Supplier or any other persons who will perform services on behalf of the Group) must be reported in accordance with the reporting requirements of this

GROUP ECONOMIC CRIME PREVENTION POLICY – ANTI-BRIBERY

and any related policies that deal with activities that fall under the definition of corruption.

Dealings with Public Officials may pose a greater corruption risk due to their position and status. Under section 6 of the Bribery Act 2010 it is a specific offence to bribe a foreign public official. Suppliers must, when dealing with **any** Public Official, ensure that appropriate steps are taken to minimise the bribery and corruption risks associated with relationships of this nature.

Top Level Commitment

Effective top level commitment allows an organisation to drive an appropriate and effective anti-bribery culture. Suppliers may consider appointing a nominated individual(s) with technical expertise and professional credibility to be responsible for the management of anti-bribery risk in a similar manner to the structure utilised within the Group.

Threat and Risk Assessment

The purpose of a risk assessment is to allow the supplier to identify and mitigate bribery risks associated with the conduct of their business.

The supplier must undertake a regular anti-bribery risk assessment in order to identify and mitigate the bribery risks associated with the conduct of its business.

The supplier must ensure that all risks identified are managed and mitigated by the application of its anti-bribery controls.

Due diligence

The purpose of due diligence is to identify and mitigate the risk that a bribe is offered to obtain or retain business relating to the Group, or an advantage in the conduct of the Group or the supplier's business.

The supplier must complete risk-based anti-bribery due diligence on persons (including individuals and incorporated or unincorporated bodies) who will perform services for or on behalf of the Group which is appropriate and relevant to such services. Further guidance on risk-based due diligence can be obtained from your supplier manager if required.

In determining whether a person is acting for or on behalf of the Group, the supplier must consider the nature of the activity being undertaken. As a minimum, an agent, subsidiary or any other person obtaining, retaining or conducting business on behalf of the Group must be subject to due diligence.

The supplier must, as part of their due diligence activities, identify all directors and perform appropriate additional checks to ascertain whether or not any of the directors are public officials and/or politically exposed persons (PEPs). Where the nature of the services provided and the involvement of public officials and/or PEPs leads to an increase in bribery risks, further guidance must be sought from your supplier manager.

Due diligence for employees

The supplier must assess the need for, and extent of, ongoing due diligence for persons engaged by it to identify and mitigate bribery risks.

GROUP ECONOMIC CRIME PREVENTION POLICY – ANTI-BRIBERY

Monitoring and Review

The supplier must ensure that arrangements are in place to monitor regularly the continued adequacy and effectiveness of processes, systems and controls in order to assess compliance with this document. This will include any assurance, oversight and/or audit reviews.

Where deficiencies are identified, suppliers must resolve them without delay, escalate to the Group where appropriate and monitor thereafter to identify and prevent any recurrence.

Gifts, Entertainment & Hospitality

The supplier must not offer, either personally or on behalf of the Group, gifts, entertainment and hospitality (GEH) intended to unduly influence a decision-maker, supplier or customer in order to gain or retain business on behalf of the Group.

Suppliers must perform analysis of GEH records to ensure that any GEH offered or received is proportionate and relevant to both an individual's role and the relationship between the supplier and the offeror or recipient of the GEH.

When analysing GEH, suppliers need to be aware of the following "Red Flags" and must escalate any instances where any or all of these factors are present:

- Anomalies or 'out of Policy' GEH offered or received;
- The timing of the offer or receipt of GEH in relation to contract or other related negotiations; and
- Any GEH that has not been recorded and/or reported.

Charitable Donations

The supplier must not make any donations to charities for or on behalf of the Group.

Political Donations

The supplier must not make any political donations for or on behalf of the Group.

Facilitation Payments

Facilitation payments are illegal under UK law. A facilitation payment is a payment which is made to expedite or secure the performance of a routine non-discretionary action, such as processing papers, issuing permits, and other actions by a person which they are already bound to perform.

Facilitation payments which relate in any way to the services provided to Lloyds Banking Group are prohibited. In exceptional circumstances of duress (only where there is a threat to life, limb or liberty) facilitation payments may have to be made. Where possible, prior approval from the Group must be obtained. In any event, all such facilitation payments must be reported to the Group immediately.

The supplier must ensure that:

- the risk of facilitation payments which relate in any way to the services provided to the Group being requested is included in their risk assessment;
- all requests for such facilitation payments are reported to the Group;
- suitable procedures to mitigate the risk are in place where there is a likelihood that facilitation payments will be requested (e.g. in certain jurisdictions). These procedures must include specific training for individuals who may have to manage such requests; and

GROUP ECONOMIC CRIME PREVENTION POLICY – ANTI-BRIBERY

- all those acting for or on behalf of the Group are aware of their responsibilities in respect of facilitation payments even where these are declined or refused.

Reporting

The supplier must ensure that all persons engaged by it are aware of routes to report instances of suspected bribery or attempted bribery.

To the extent permitted under applicable law, the supplier will, as soon as is reasonably practicable, notify the Group in the event that a person acting on its or the Group’s behalf is suspected of bribery or corrupt practices. The supplier will promptly notify the Group if the supplier, or any person engaged by it, is prosecuted, charged with or convicted of any bribery-related offence.

Record Keeping

The supplier must retain all records (electronic and paper, and including relevant training records) in line with the requirements found in the Group Data Third Party Policy

Training

The supplier should ensure that all employees complete anti-bribery training and awareness activities appropriate to both their individual roles and the level of bribery risk associated with the role.

Where employees are identified as working in roles considered high risk for bribery risks role specific training should be considered to ensure that employees are aware as to the increased bribery risks associated with their roles.

KEY CONTROLS		
Control Title	Control Description	Frequency
<p>Anti-Bribery Training Third Party Suppliers must ensure that all staff (new and existing staff) complete Anti-Bribery Training.</p>	<p>1. Anti-Bribery training program in place.</p> <p>2. Management information:</p> <ul style="list-style-type: none"> • Number of staff expected to complete annual training; • Number of staff who have completed annual training; • Number of new staff expected to complete training before undertaking any activity on behalf of the Group; • Number of new staff who have completed training before undertaking any activity on behalf of the Group; • Ensure evidence is available upon request by the Group supplier manager. 	<p>1. Annual review or any changes in applicable regulation/legislation.</p> <p>2. Quarterly.</p>

GROUP ECONOMIC CRIME PREVENTION POLICY – ANTI-BRIBERY

<p>Procedures to manage incidents of Bribery (including escalation processes) Third party suppliers must ensure procedure document(s) relating to bribery incidents / allegations / suspicions are documented.</p>	<p>The document must include:</p> <ul style="list-style-type: none"> • The procedure owner; • Details of the processes for reporting / escalation; and • How potential incidents of bribery are monitored. 	Annual
<p>Anti-Bribery Reporting Third party suppliers must ensure key management information is submitted to the Group via the supplier's usual Group contact; the information provided is accurate, timely and approved for submission.</p>	<p>Key management information includes, but is not limited to, information in respect of:</p> <ul style="list-style-type: none"> • Training; • GEH; • Charitable Donations; • Political Donations; • Facilitation Payments; and High risk third parties. 	Monthly
<p>Documented Anti-Bribery Policies and Procedures Third party suppliers must have documented policies, procedures and controls in place to mitigate the risk of bribery. This must include a regular anti-bribery risk assessment.</p>	<ol style="list-style-type: none"> 1. Have Anti-Bribery policies, procedures and controls documented. 2. Shared with the Group's supplier manager on request. 3. Ensure Anti-Bribery policy, procedure and control documentation are reviewed and approved within last 12 months. 4. Ensure evidence of completed and documented anti-bribery risk assessment is available upon request from Group supplier manager. 	Annual
<p>Risk Assessment and Due Diligence on 4th Parties Where a third-party supplier utilises either individuals and incorporated /</p>	<ol style="list-style-type: none"> 1. A documented risk assessment is in place prior to commencement of due diligence; 2. Outcome of due diligence undertaken is documented, ensuring this is proportionate to the outcome of the risk assessment and includes 	Annual

GROUP ECONOMIC CRIME PREVENTION POLICY – ANTI-BRIBERY

<p>unincorporated bodies to perform services for or on behalf of the Group, the supplier must ensure appropriate risk assessments and due diligence are conducted.</p>	<p>additional checks which are designed to identify any PEPs or Public Officials operating as a director; and</p> <p>3. Ensure any issues are escalated to the Groups supplier manager for further guidance.</p>	
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MANDATORY REQUIREMENTS – NON-COMPLIANCE

Any material differences between the requirements set out above and the supplier’s own controls should be raised by the supplier with the Group’s supplier manager.

The supplier manager will then discuss the non compliance with the Accountable Executive for the relationship and local risk team to agree way forward.

Version Number	Effective Date
6.0	June 2018
7.0	June 2019
8.0	July 2020
9.0	24 th May 2021
Next Planned Revision: May 2022	