

LLOYDS  
BANKING  
GROUP



## EXTERNAL SUPPLIER RISK POLICY SUMMARY FOR THIRD PARTY SUPPLIERS

### BEING A SUPPLIER TO LLOYDS BANKING GROUP

We're committed to ensuring that all our dealings with external suppliers are conducted in accordance with the principles of fair and ethical trading, from initial sourcing to ongoing supplier management, as well as in situations where we need to exit contracts.

We only work with suppliers who are committed to delivering the required level of performance and quality that our customers expect.

We expect our suppliers to take time to understand our business and look for ways to bring insight and enhancements.

By strengthening the way we do business, we can continue to generate the innovative products, services and solutions that our customers deserve.

### OUR POLICY REQUIREMENTS

Lloyds Banking Group's External Supplier Policies set out the expectations placed on all external suppliers we receive goods and services from and are aligned to the key areas of risk we face.

By understanding and meeting the requirements outlined in this document you will help us to ensure:

- Our services are resilient, and service disruption is prevented or limited.
- Good outcomes are consistently delivered to our customers.
- Regulatory expectations are met.

### SUPPLY CHAIN DUE DILIGENCE EXPECTATIONS

We expect all suppliers to perform due diligence that is appropriate and proportionate to the requirements outlined in this document, prior to onboarding any sub-contractors, and on an ongoing basis.

Any issues identified should be resolved in line with our risk management expectations.

Lloyds Banking Group will perform proportionate ongoing monitoring, oversight and assurance of supplier activities to ensure compliance with all policy requirements.

### RISK MANAGEMENT EXPECTATIONS

In addition to the requirements set out in this document, we expect all suppliers to have a robust risk management framework in place to ensure:

- Risks are appropriately identified, assessed and managed in a timely manner.
- Controls are operated that sufficiently mitigate the risks / events
- Events are reported to Lloyds Banking Group on a timely basis.
- Periodic risk and control MI is complete, accurate and reported to Lloyds Banking Group within agreed timescales.

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### CODE OF SUPPLIER RESPONSIBILITY

We want our suppliers to share in our purpose and ensure that they operate in an ethical, sustainable, inclusive and accessible manner. We therefore expect all of our suppliers to practice our [Code of Supplier Responsibility](#).

The code sets out the key social, ethical and environmental values and behaviours that we expect you to abide by.

### CONTACT

If you, as a supplier, are unclear how the requirements outlined in this document apply to you, please engage your Lloyds Banking Group Supplier Manager or your usual contact

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**EXTERNAL SUPPLIER RISK POLICY REQUIREMENTS**

These requirements must be followed to manage the risks associated with the inappropriate and / or inadequate selection, onboarding, management or off boarding of services received by any part of the Group from external suppliers and their supply chains.

Purpose	<ul style="list-style-type: none"> <li>When an external supplier to Lloyds Banking Group ('the Group') sub-contracts part of the contracted services to its own supplier(s), we expect them to ensure that these sub-contractors operate to the standards expected by the Group.</li> <li>To achieve this, external suppliers should adhere to the minimum requirements outlined below, adopting a risk proportionate approach, i.e. the greatest level of control and oversight should be in place for those sub-contractor arrangements assessed as carrying the most risk.</li> </ul>
Applicability	<ul style="list-style-type: none"> <li>External suppliers operating outside the UK must ensure that local country and jurisdictional legislation and regulatory requirements are adopted in addition to the requirements below.</li> <li>Local laws or regulations must take precedence. As such, where these laws or rules conflict with, or result in, any requirements not being fulfilled, or where any of the requirements prohibit an activity that is mandatory under local law, the external supplier must inform the Group to agree what actions should be taken.</li> </ul>
Doing Business Responsibly	<ul style="list-style-type: none"> <li>Comply with the Group's <u>Code of Supplier Responsibility</u>.</li> </ul>
Sub-contracting	<ul style="list-style-type: none"> <li>Notify the Group of any intention to sub-contract any part of a contracted arrangement to a supplier(s). Where the use of such sub-contractors is agreed by the Group, ensure the Group is kept up to date on the supplier information by submitting the Nth Party Questionnaire when requested.</li> </ul>
Roles & Responsibilities	<ul style="list-style-type: none"> <li>Define and agree roles and responsibilities so that the split of responsibility between you and your sub-contractors for the scope of the goods and services to the Group is clearly articulated and understood by the Group.</li> </ul>
Risk Assessment	<ul style="list-style-type: none"> <li>Classify sub-contractors based on the level of risk posed and manage them proportionately to this and any ongoing risk assessments.</li> </ul>
Due Diligence	<ul style="list-style-type: none"> <li>Perform appropriate and proportionate due diligence on your sub-contractors before onboarding them and on an ongoing basis.</li> </ul>
Compliance with Group Policies	<ul style="list-style-type: none"> <li>Where invited to do so by the Group, via its external partner Hellios, complete the Group's <u>Financial Supplier Qualification System (FSQS)</u> annually to confirm minimum Group policy requirements are met.</li> </ul>
Concentration Risk	<ul style="list-style-type: none"> <li>Assess, monitor and manage any concentration risks in your supply chain, including multiple arrangements with the same or closely connected suppliers; where multiple otherwise unconnected service providers depend on the same external supplier for the delivery of their services; arrangements with service providers that are difficult or impossible to substitute; and dependencies in a close geographical location. The external supplier must periodically inform the Group on the</li> </ul>

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	<p>concentration risk position and where applicable agree what actions should be taken.</p>
Supply Chain Performance	<ul style="list-style-type: none"> <li>• Have an appropriate, consistent and reportable approach to supplier management, ensuring it is followed to manage the written agreement obligations on both sides and the operational performance of suppliers.</li> </ul>
Supplier Risk Management	<ul style="list-style-type: none"> <li>• Have an appropriate approach to sub-contractor risk management which ensures the Group’s risk and control environment is not materially weakened and does not adversely affect the ability of the regulators to monitor the Group’s compliance with its regulatory obligations. As a minimum this should include: <ul style="list-style-type: none"> <li>○ The operation and assessment of sub-contractor controls in place to meet Group requirements.</li> <li>○ The management, monitoring and reporting of risks and issues to the Group.</li> <li>○ Undertaking a periodic assessment of sub-contractor controls, policies and standards.</li> </ul> </li> </ul>
Supplier Assurance	<ul style="list-style-type: none"> <li>• Undertake ongoing assurance of any sub-contractors which could impact the goods and/or services you provide to the Group. The external supplier must periodically inform the Group on the results of assurance work and where applicable the actions being taken.</li> </ul>
Audits	<ul style="list-style-type: none"> <li>• Support any audit and assurance activity and resulting actions, including activities by regulatory and competent bodies, in line with the written agreement. Ensure sufficient resource is made available to support any reasonable request, if required.</li> </ul>
Business Continuity & Exit Planning	<ul style="list-style-type: none"> <li>• Have a robust contingency in place to ensure the continuation of service to the Group. Where required by the Group, this should be as part of an agreed, documented and tested exit plan that aligns to any supplier business continuity planning.</li> </ul>
General Termination	<ul style="list-style-type: none"> <li>• The termination of arrangements with your sub-contractors that come to the end of their tenure and do not require renewal is done in a controlled manner, in compliance with any termination clauses in the written agreement, ensuring continued compliance with other Group policies (e.g. data retention) and notifying the Group of the termination.</li> </ul>

**EXTERNAL SUPPLIER RISK POLICY**

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