

## GROUP ECONOMIC CRIME PREVENTION POLICY – SANCTIONS

LLOYDS  
BANKING  
GROUP



### Economic Crime Prevention Policy - SANCTIONS

#### SUMMARY FOR THIRD PARTY SUPPLIERS

#### RATIONALE

Financial and Trade Sanctions (collectively Sanctions) are part of a package of measures applied by individual countries, International Organisations or Regional Bodies to fight aggression, terrorism, criminal behaviour or violations of human rights. These Sanctions measures are intended to motivate a change in behaviour by the individual, regime or jurisdiction concerned or to deprive terrorists and criminals of access to funds.

Lloyds Banking Group (the Group) must not provide funds or financial services to those subject to Sanctions. A failure to comply with these obligations can carry serious consequences, including criminal penalties against the Group and its colleagues.

Our Government and Regulators place specific responsibilities on firms relating to the UK's financial Sanctions regime.

In order for Sanctions to work, they need to be applied in an effective and informed manner. In support of this, the purpose of the Group's Economic Crime Prevention Policy is to ensure that:

- the legitimate aims of the international community are achieved by applying Sanctions in a timely and diligent manner;
- the Group is not knowingly involved in attempts to frustrate or circumvent Sanctions arrangements;
- the Group best protects its customers, businesses, colleagues and reputation;
- the Group is compliant with applicable Sanctions prevailing in the jurisdictions in which it operates; and
- outsourced service providers undertaking relevant functions on behalf of the Group are compliant with the Group's Economic Crime Prevention Policy irrespective of the jurisdiction in which the activity is undertaken.

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 helping to maintain the financial stability of the Group. The Policy also gives our investors and customer's confidence in the strength and integrity of the Group's compliance with legal and regulatory requirements. This is achieved by providing:

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- Clarity on the Group's economic crime risk appetite, ensuring the Group (and its customers) comply with Sanctions legislation and regulation;
- Guidance on the risk-based training programme which allows colleagues to articulate clearly to customers the Group's risk appetite; and
- Clear guidance which allows businesses to implement internal processes and controls including appropriate Customer Due Diligence and effective customer and payment screening processes.

### SCOPE

Certain external parties supplying services to the Group or performing on the Group's behalf will be expected to comply with the Group's Economic Crime Prevention Policy, where those services form part of the Group's regulated activities.

Typical circumstances that **will** result in this Policy being applicable include but not limited to the following services:

- On-boarding new customers;
- Processing customer transactions;
- Third Party Resource providers;
- Providing the Group's financial products to customers; and
- Providing risk, compliance or audit services to the Group.

### MANDATORY REQUIREMENTS – GENERAL

#### 1. Dealing with Prohibited Countries and Geographical Regions

The Group will not maintain any relationships, process payments to or from, or undertake commercial transactions with entities or individuals based in the countries listed below. This prohibition applies to all transactions and payments in all currencies:

- Syria
- North Korea

In addition to the above, certain restrictions and prohibitions apply when dealing with **Iran, Cuba, the Crimean Peninsula (including Sevastopol) and Russia.**

Therefore, we require in scope suppliers to the Group, to ensure they not deal with any of these countries on behalf of the Group without prior agreement.

Suppliers must ensure that they meet all UK, EU, and UN Sanctions obligations (including the US where applicable).

#### **Due Diligence**

The Supplier must complete risk-based Sanctions due diligence on persons (including individuals and incorporated and unincorporated bodies) who will perform services for or on behalf of the Group which is appropriate and relevant to such services.

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

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conducting business on behalf of the Group must be subject to due diligence.

### 2. Conduct

In order to ensure the effective implementation of Sanctions and the traceability of funds connected with the financing of terror, it is essential that the Group is not knowingly involved; in attempts to frustrate or circumvent the Sanctions regime of any country or regional body. Activities which are expressly forbidden, may include but are not limited to:

- Omitting, deleting or altering information in payment messages for the purpose of avoiding detection of that information by other financial institutions in the payment process;
- Using a particular payment messaging system for the purposes of avoiding detection of that information within the Group and/or other financial institutions in the payment chain; and
- Encouraging or providing guidance to customers and suppliers on circumventing any Sanctions prohibitions or restrictions.

KEY CONTROLS		
Control Title	Control Description	Frequency
The following indicators must be monitored and reported on by the business to evidence operational effectiveness of the mandatory key controls.		
Ensure that the supplier has a Sanctions Policy or a Statement for managing sanctions which summaries relevant legislative responsibilities	<p>The Supplier's Sanctions Policy's should document how they comply with UK, EU (if EU company), US Sanctions (if US company) and UN requirements.</p> <p>If a non-UK company then how they comply with their own country's sanctions requirements, including the UN restrictions.</p>	Annually
<b>Sanctions Training</b> Third Party Suppliers must ensure that all staff (new and existing staff) complete Sanctions Training.	<ol style="list-style-type: none"> <li>1. Sanctions training program in place.</li> <li>2. Management information: <ul style="list-style-type: none"> <li>• Number of staff expected to complete annual training;</li> <li>• Number of staff who have completed annual training;</li> <li>• Number of new staff expected to complete</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1. Annual review or any changes in applicable regulation/legislation.</li> <li>2. Annually</li> </ol>

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	<p>training before undertaking any activity on behalf of the Group;</p> <ul style="list-style-type: none"> <li>• Number of new staff who have completed training before undertaking any activity on behalf of the Group;</li> <li>• Ensure evidence is available upon request by the Group supplier manager.</li> </ul>	
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### MANDATORY REQUIREMENTS – NON-COMPLIANCE

If a Supplier identifies any breach of the above requirements it must be reported to the Supplier Manager or usual business contact as soon as possible after identification.

Version Number	Effective Date
1.1	January 2014
2.0	21 August 2014
3.0	21 August 2014
4.0	07 July 2015
5.0	02 February 2016
6.0	12 July 2016
6.1	19 October 2016
6.2	31 March 2017
7.0	29 September 2017
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