

**GROUP SOURCING & SUPPLY CHAIN MANAGEMENT: THIRD PARTY SUPPLIER POLICY**

 <p>LLOYDS BANKING GROUP</p>	<p><b>GROUP SOURCING AND SUPPLY CHAIN MANAGEMENT POLICY</b></p> <p><b>SUMMARY FOR THIRD PARTY SUPPLIERS</b></p>
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**RATIONALE**

**Group Policy Rationale**

The provision of goods or services by third party suppliers to Lloyds Banking Group (LBG), exposes LBG to a variety of risks.

This Policy has been designed to assist in ensuring that LBG Suppliers manage their risks, and the risks associated with onboarding and ongoing management of their supply chain, including their third party suppliers (which are referred to as LBG 4<sup>th</sup> Parties).

The overall risk includes the following risk drivers:

- Failure to adequately source and/or manage LBG's supply chain in line with legal and/or regulatory requirements.
- Failure to provide adequate and/or uninterrupted service to LBG and/or its customers.
- Failure to fulfil contractual obligations to LBG.

This Third Party Supplier Policy sets out the requirements LBG requires all Suppliers to comply with in order to ensure LBG's risk appetite and standards are met, and provides guidance on what measures should be taken to manage and escalate incidents.

Objective:

- To ensure Suppliers meet LBG's expectations in terms of sourcing and supply chain management, and demonstrate effective management of potential risks throughout the LBG supply chain.

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

- Financial Conduct Authority (FCA) Handbook: SYSC 8 and SYSC 13.9
- Prudential Regulation Authority (PRA): Outsourcing chapter applicable to CRR firms and section 7 on Outsourcing, Conditions Governing Business chapter 7, for Solvency II firms.
- PRA rules for Ensuring Operational Continuity in Resolution (OCIR)
- PRA Outsourcing Guidelines (SS2/21)
- FCA Outsourcing Guidelines (PS21/3)

Additionally, the PRA, FCA and other UK based regulators refer to, and draw down content from, other supra-national regulators, such as the European Banking Authority (EBA). Where specifically stated and/or referenced by the PRA, FCA and other UK regulators, these rules and regulations are taken to apply to LBG.

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### Customer Impact

LBG's vision is to be the best bank for customers. The Group Sourcing and Supply Chain Management Policy supports this vision and the aim of providing investors with strong, stable and sustainable returns by:

- Complying with legal and regulatory requirements.
- Ensuring Suppliers are aware of their obligations.
- Ensuring Suppliers maintain integrity and provide trust to LBG and its customers.

### SCOPE

This third party version of the Policy applies to all Suppliers where it has been identified that the Group Policy applies to the provision of their goods and/or services. It sets out the minimum standards expected of Suppliers to manage their supply chain, including LBG 4<sup>th</sup> parties who support the provision of goods and/or services to LBG.

Suppliers operating outside the UK must ensure that local Country and Jurisdictional legislation and/or regulatory requirements are adopted in addition to the requirements of this Policy.

Where Suppliers operating outside the UK identify a conflict between the Policy requirements and the rules of any local law or local regulation, the local law or rules will take precedence. Where these laws or rules may result in Policy requirements not being fulfilled or where the Policy prohibits an activity that is mandatory under local law, the Supplier must inform Lloyds Banking Group to agree what actions are to be taken.

### MANDATORY REQUIREMENTS – GENERAL

Suppliers to LBG are required to operate standards of an equal level to those operated within LBG. When using LBG 4<sup>th</sup> parties to fulfil part of the contracted services the Supplier to LBG must ensure that the standards operated by the LBG 4<sup>th</sup> party are of an equal level to those operated by LBG. This policy is applicable from the date of publication.

Third Party Suppliers are required to:

- Annually complete LBG's Financial Services Supplier Qualification System (FSQS), to confirm they meet the minimum policy requirements.
- Have an agreed exit plan for the goods/services provided, when one is required by LBG.
- Provide LBG with all required information, including the reporting of events and other management information, as specified within the contract.
- Follow the LBG [invoicing process](#).
- Support any audit or assurance activity, including activities by regulatory and competent bodies, as per the contractual agreement and ensure sufficient resource is made available in order to support any reasonable request, if required.
- Comply with the [LBG Code of Supplier Responsibility](#).

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- Complete and return the LBG 4th Party questionnaire if requested to do so.
- Create and maintain a list of their own suppliers (LBG 4<sup>th</sup> parties) including an annual review of this list and any changes which could impact LBG.
- Manage their supply chain and mitigate risk in accordance to the following minimum standards by:
  - Having an effective and current documented approach to supplier risk management.
  - Notifying LBG of any intention to subcontract any of LBG's work to a LBG 4<sup>th</sup> party.
  - Carrying out due diligence on LBG 4<sup>th</sup> parties prior to on boarding.
  - Formally segmenting its supply chain based on supplier risk and operating a supplier risk management process.
  - Carrying out ongoing supplier assurance.
  - Undertaking a periodic assessment of LBG 4<sup>th</sup> party controls, policies and procedures.
  - Having a clear issues management process together with associated monitoring and reporting.
  - Monitoring financial activity to ensure financial stability of the supply chain.
  - Defining agreed roles and responsibilities between all parties (themselves, LBG 4<sup>th</sup> parties) involved in the provision of goods and/or services to LBG.
  - Having in place robust contingency, business continuity, and exit plans, including for LBG 4<sup>th</sup> parties/supply chain.
  - Undertaking quality assurance on the products and services provided by LBG 4<sup>th</sup> parties which could impact the services provided to LBG.
- Have an appropriate approach to supplier relationship management.
- Manage its suppliers' contractual and operational performance.

### KEY CONTROLS

#### **Supplier Assurance**

If a supplier is subject to a supplier assurance review, LBG will seek evidence that all mandatory requirements are being met.

#### **Minimum responsible business requirements**

[LBG code of supplier responsibility](#) sets out the minimum standards we expect all LBG suppliers to conform to. The Code encompasses the key social, ethical and environmental principles that LBG believe a [responsible business](#) should adhere to.

LBG assess all LBG Suppliers against the Code and its principles. LBG Suppliers are also asked to comply with specific [third party supplier policies](#) as applicable to the services they provide to LBG.

### 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 LBG'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.

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SUPPLIER POLICY**

<b>Version Number</b>	<b>Effective Date</b>
2.0	06 November 2018
3.0	9 August 2019
4.0	30 April 2020
5.0	06 April 2021 (Fit For Purpose)
6.0	31 March 2022