

LLOYDS
BANKING GROUP



MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT

2018

About Lloyds Banking Group

We are a UK financial services provider with around 26 million customers and a presence in nearly every community.

Lloyds Banking Group plc has a number of subsidiaries, a full list of which can be found in our Annual Report. 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, MBNA and Scottish Widows.

We employ approximately 65,000 employees (on a full-time equivalent basis), of whom 99 per cent work in the UK.

Our active supply base comprises approximately 3,500 suppliers, the majority of which are in professional services sectors such as management consultancy, legal, HR, IT, marketing and communication and 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.

26m

26 million customers and a presence in nearly every community

99%

99 per cent of our 65,000 employees work in the UK

3,500

Our active supply base comprises approximately 3,500 suppliers



Find out more

[About our Group in 2018, Annual Report and Accounts](#)

Modern Slavery and Human Trafficking Statement 2018

This Statement outlines the steps we have taken in the last twelve months to ensure that slavery and human trafficking is not taking place in either our business or our supply chain. In 2018 we had no reported incidents.

This is our third Modern Slavery and Human Trafficking Statement¹. It is made in accordance with 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 2018.

This Statement was approved by the Board of Lloyds Banking Group plc, and that of its principal subsidiaries Lloyds Bank plc, Bank of Scotland plc and HBOS plc in February 2019. The remaining subsidiaries report into these principal subsidiaries and this statement is approved on their behalf.

As outlined in our last statement, in 2018 we focused our efforts on:

- Raising colleague and customer awareness of the risks of modern slavery and human trafficking
- Expanding our efforts to combat modern slavery as a financial crime, including through the expansion of our collaborative work with external partners
- Reviewing our supply chain risk assessment processes

We do not tolerate 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.



Find out more

[About our Group in 2018, Annual Report and Accounts](#)

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 2017 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. These Group policies, associated procedures and mandatory training are reviewed annually 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.

As outlined in last year's statement, 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.

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.



Find out more

[Code of Responsibility](#)

[Anti-Bribery Policy Statement](#)

[Ethical Policy Statement](#)

[Human Rights Policy Statement](#)

[Modern Slavery and Human Trafficking Statement 2017](#)

Our Policies

continued

Our suppliers

We expect all suppliers to conform to our Code of Supplier Responsibility which we share through the supplier contract as governed by our Business Sourcing Process. It defines our expectation in terms of responsible business behaviour, including human rights and labour issues. We require those suppliers going through the Financial Supplier Qualification System (FSQS) to confirm they have read, understood and comply with the Code of Supplier Responsibility and provide us with evidence to demonstrate their approach.

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. Third party policies are documents which:

- Articulate Lloyds Banking Group's expectations in regards to behaviours and decision making
- Address the primary areas of risk which Lloyds Banking Group faces
- Translate Lloyds Banking Group's risk appetite into mandatory requirements and Policy Key Controls

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 supply contract. 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 they are required to report under the UK Modern Slavery Act.

Our suppliers have a contractual obligation 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 UK Modern Slavery Act and any local legislation that is aimed at combating modern slavery.

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.

The Speak Up Third-Party Policy has been designed to assist in managing the risk that Third-Party Suppliers' employees are prevented from reporting any concerns about risk, malpractice or suspected wrongdoing.



Find out more

[Code of Supplier Responsibility](#)

[Third Party Supplier Policies](#)

Our Suppliers – assessing and managing risk

Lloyds Banking Group subscribes to the Financial Supplier Qualification System (FSQS), a third-party managed supplier qualification system for the financial sector that is currently used by 18 major banks, building societies and insurance companies. This ensures we adopt a standardised approach to compliance and assurance, which forms an integral part of our supply chain management.

We take a risk-based approach and annually require our top c.1,200 suppliers to self-attest their compliance to the Group's policy expectations. As part of the FSQS, these suppliers are asked to provide evidence of processes and procedures for assessing and complying with relevant human rights legislation and labour standards, including the UK Modern Slavery Act. It is a mandatory requirement for these suppliers to complete the FSQS questions on an annual basis, and employees who manage the supplier relationship (Supplier Managers) must confirm that this is satisfactorily completed throughout the duration of the supplier's contract.

If a supplier provides a non-compliant answer to any Responsible Business FSQS question such as the occurrence of an employment tribunal in the last three years, or non-compliance with the UK Modern Slavery Act, Supplier Managers are required to investigate and manage through to resolution. If the issue is deemed sufficiently serious or cannot be resolved in a reasonable timeframe, the Group may undertake a review of the terms of the contract. The Group is currently reviewing the FSQS risk framework to introduce additional questions that trigger a 'red flag', prompting further investigative action and remediation. Any changes resulting from this review will be implemented in 2019.

For suppliers which represent the highest risk exposure to the Group, the Group Sourcing Supplier Assurance team conducts an annual programme of assurance reviews based on criticality. Suppliers that trigger agreed risk criteria are selected for an onsite supplier assurance visit. This review will test the supplier's adherence to relevant Group policies which includes an assessment of modern slavery as appropriate. In 2018, there were c.180 site visits and no instances of modern slavery or human trafficking were identified.

As part of our risk-based approach to supplier management, we analyse suppliers based on geography, service sectors and spend. The majority of our direct suppliers represent a traditionally low risk of modern slavery. According to the 2018 Global Slavery Index, 99 per cent of our suppliers are in geographies that are considered low risk for modern slavery; 95 per cent of our direct suppliers are located in the UK, 3 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. Additionally, over 80 per cent of our external supplier spend is in service sectors considered low risk, and analysis of the remaining 20 per cent potential high-risk service sectors shows that 99 per cent of spend is covered by FSQS and 99.6 per cent of this spend is through entities within the UK.

As outlined in last year's statement, where we have suppliers in recognised higher risk service sectors such as cleaning, catering, property, security and uniform providers we ensure that a dedicated Supplier Manager supports these relationships.



Find out more

[Working with suppliers](#)

Combatting human trafficking

as a financial crime

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, and continually strengthen monitoring controls which will help to identify activity which may be indicative of proceeds relating to modern slavery and/or human trafficking.

340

We have exited 340 relationships that demonstrated human trafficking and modern slavery indicators in 2018

Lloyds Banking Group takes a proactive role in identifying potential perpetrators, and our Financial Intelligence Unit has built specific typologies that target financial indicators. We already have a live and active typology on sexual exploitation, as a form of modern slavery. In 2018 we commenced work on enhancing this typology to include indicators in respect of labour exploitation and organised immigration crime. This enables us to monitor suspicious behaviours and account activity. As a result of this work, we have exited 340 customer relationships that demonstrated human trafficking and modern slavery indicators in 2018.

Furthermore, we have recently completed an investigation into the methods by which Gangmasters and Organised Criminal Gangs control the bank accounts of victims. Through this investigation we have identified opportunities to enhance controls.

Building on the work we have already undertaken in this area, we have two modern slavery intelligence products in the pipeline. The first targets Labour Exploitation in the Construction Industry, whilst the second targets Eastern European Organised Criminal Gangs and their involvement in modern slavery.

Working with others

We work with other financial service providers, NGOs, taskforces, law enforcement agencies and key organisations to help identify and prevent incidences of modern slavery and human trafficking.

- We were contributors to the Financial Action Task Force's (FATF) Trafficking report, released in July 2018. The FATF and the Asia/Pacific Group on Money Laundering (APG) jointly undertook this study to improve global understanding of the financial flows associated with the crime of human trafficking, both as a money laundering predicate and potential source of terrorist financing.

This study updates the FATF's 2011 report, bringing granularity to indicators of suspected money laundering of the proceeds of human trafficking by separating human trafficking into three categories in line with the Palermo Protocol: human trafficking for forced labour, sexual exploitation or for the removal of organs.

- We are a founding member of, and active participant in, the Joint Money Laundering Intelligence Taskforce (JMLIT). 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.
- This year, we have collaborated with others on the Traffik Analysis Hub (TAHub), a new solution designed to share vital trafficking information across all sectors. The overall concept is conceived and led by STOP THE TRAFFIK. The aim is to be able to predict future incidents of human trafficking before they occur through identifying financial patterns, trafficking routes, hotspots of community trafficking activity and vulnerability across complex supply chains.
- In August 2018, Lloyds Banking Group signed a three-year partnership agreement with the City of London police to help fight economic crime in the UK, including those relating to human trafficking and modern slavery. Over this period, we will contribute £1.5m to sponsor several projects to strengthen the way criminals are detected and to protect the public and businesses.

Training

To raise awareness of this priority area for our business, we have developed and delivered training courses and guidance.

- The Group enhanced its core annual Anti Money Laundering mandatory training module by including information in relation to human trafficking and the 'red flags' that will assist colleagues in detecting and reporting this activity. A specific modern slavery case was provided as an example.
- Training on specific commercial sectors was delivered in March 2018 to Commercial Banking colleagues and 1,100 clients. The objective of the training was to raise awareness of the issue, and support customers to be able to identify cases of modern slavery, for instance through 'red flag' indicators such as financial control and signs of restricted freedom. This included an overview of sectors in which the risk of forced labour may be higher such as agriculture, car washes, nail bars, hospitality and construction.
- Training and guidance for specialist Group Sourcing and Supplier Manager colleagues on the requirements of the UK 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.
- All employees are required to review the Code of Responsibility 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.
- Our Financial Crime team rolled out training in November 2018 available to all colleagues via a WebEx Masterclass during Financial Crime Awareness Week. The training covered Know Your Client (KYC), Behavioural and Transactional Indicators as relates to financial flows from human trafficking. It also included details of high-risk industries, such as agriculture, construction, healthcare, catering/hospitality and food processing, and provided real life case studies relating to labour and sexual exploitation. There were 190 colleagues that participated in the live WebEx, and a further 50 have listened to the recording and downloaded the content to date.
- We developed a series of videos covering the wider financial crime environment with a focus on Suspicious Activity Reporting, in which human trafficking is referenced. Some of these videos include what front line staff should do if they suspect any wrong doing. Next year we plan to raise further awareness amongst colleagues responsible for reporting suspicious activities from the Transaction Monitoring system. We will do this using the Toolkit for Tackling Human Trafficking, developed by the Thomson Reuters Foundation and the European Bank Alliance. This Toolkit outlines some of the strong and medium indicators of human trafficking, such as payments to labour agencies, recruiters or employment websites.

Governance

The Group's approach to human rights and modern slavery is governed by the Responsible Business Committee, a committee of the Board of the Company.

The Committee's role is to support the Board in overseeing the Group's policies and performance as a responsible business.

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.

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 raise awareness of modern slavery and human trafficking amongst our colleagues and customers, progress our efforts to tackle modern slavery and human trafficking as a financial crime, collaborate with external stakeholders, and undertake annual reviews 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:
 - Lloyds Banking Group ensures that awareness of modern slavery is raised amongst all colleagues through our annual Anti Money Laundering mandatory training module. As highlighted in this statement, this training includes information in relation to human trafficking and the 'red flags' that will assist colleagues in detecting and reporting this activity. A specific modern slavery case was provided as an example. In 2018, around 97% of colleagues completed this training.
- Number of reports of modern slavery through our Speak Up line:
 - In 2018 we had no reported incidents of human rights breaches, slavery or trafficking.

Signed by



Lord Blackwell
Chairman



António Horta-Osório
Group Chief Executive

Queries or comments can be shared at any time by writing to:

Group Chief Executive's Office
Lloyds Banking Group
25 Gresham Street
London EC2V 7HN

@LBGNews