

GROUP SOURCING & SUPPLY CHAIN MANAGEMENT: THIRD PARTY SUPPLIER POLICY

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

Group Policy Rationale

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

This Policy has been designed to assist in managing the risk that may occur as a result of outsourcing services, as well as the risks inherent in dealing with third party suppliers.

This Third Party Supplier Policy sets out the requirements Lloyds Banking Group expect all third party suppliers to comply with in order to meet the Group's risk appetite and standards, and guidance into what measures should be taken to manage incidents, and escalate, as a result.

Objective:

- To ensure appropriate education, governance, and escalation is in place to demonstrate effective management of potential risks throughout the Lloyds Banking Group supply chain.

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

- Financial Conduct Authority Handbook: SYSC 8 and SYSC 13.9
- Prudential Regulation Authority: Conditions Governing Business Chapter 7 (Outsourcing)

SCOPE

This policy applies to all suppliers, including those suppliers using third parties to support the provision of goods and/ or services to the Lloyds Banking Group, and sets out the minimum standards expected to manage their supply chain.

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 Lloyds Banking Group are required to operate standards of an equal level to those operated within the Group. When using third parties to fulfil part of the contracted services the supplier to Lloyds Banking Group must ensure that the

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standards operated by the service provider are of an equal level to those operated by the Group. This policy is applicable from the date of publication.

Third Party Suppliers are required to:

- Annually complete Lloyds Banking Group’s Supplier Qualification System, to confirm they meet the minimum policy requirements.
- Have an agreed exit plan for the goods/ services provided, when one is required by Lloyds Banking Group.
- Provide Lloyds Banking Group with all required information, including the reporting of events and other management information, as specified within the contract.
- Follow the Lloyds Banking Group 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.
- Complete and return the LBG 4th Party questionnaire if requested to do so.
- Create and maintain a list of their own suppliers including an annual review of sub-contractors and any changes which could impact Lloyds Banking Group.
- 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 Lloyds Banking Group of any intention to subcontract any of Lloyds Banking Group’s work to another party.
 - Carrying out due diligence on suppliers /sub-contractors 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 subcontractors’ 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 involved in the provision of goods and/or services to Lloyds Banking Group.
 - Having in place robust contingency, business continuity, and exit plans.
 - Undertaking quality assurance on the products and services provided by their suppliers /subcontractors which could impact the services provided to the Group.
- Have an appropriate approach to supplier relationship management
- Manage its suppliers’ contractual and operational performance

KEY CONTROLS		
Control Title	Control Description	Frequency
Supplier Qualification System	Policy compliance to be provided annually via the Supplier Qualification System.	Annually

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Supply Chain Management	List of subcontractors to be updated and maintained.	As requested
Invoicing	Invoicing in line with Lloyds Banking Group standards which reflect the Prompt Payment Code .	Per invoice

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 Lloyds Banking 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
2.0	06 November 2018
3.0	9 August 2019
4.0	30 April 2020
This Policy will be fully refreshed no later than: April 2023	