

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS

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 through well recognised brands including Lloyds Bank, Halifax, Bank of Scotland, MBNA and Scottish Widows.

We employ approximately 63,000 employees (on a full-time equivalent basis), of whom 99 per cent work in the UK. Our active supply base comprises approximately 3,100 suppliers, the majority of which are in professional services sectors such as management consultancy, legal, HR, IT, marketing and communication and located in the UK, other European countries, North America and Asia. 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.

Our purpose

With the Group's unique position at the heart of the British economy, we embrace our responsibility to help address some of the economic, social and environmental challenges the UK faces. We have been Helping Britain Prosper for the past 250 years, by delivering for our customers and communities, as a responsible, sustainable and inclusive business.

Human Rights 05

Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2 Make sure they are not complicit in human rights abuses

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 Find out more
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Statement from the Chief Executive



Our unique position at the heart of the UK economy means we play an active part in supporting all of our customers and communities. As part of our purpose to Help Britain Prosper, we're helping the transition to a sustainable low carbon economy, helping people buy a home and save for the future, supporting businesses to start up and grow, building digital skills, and championing diversity.

The successful transition to a more sustainable, low carbon economy is strategically importance to us. In response to the global issue of climate change, the Group has developed a new goal, working with customers, Government and the market to help reduce the emissions we finance by more than 50 per cent by 2030.

As one of the largest employers in the UK, our view is that diverse teams, working within inclusive environments, are more innovative, engaged, and deliver better outcomes for our customers. As the first FTSE 100 company to set targets to increase both gender and ethnic diversity at senior levels, we continue to invest in being a leading inclusive employer, where the unique differences our colleagues bring to work every day are valued, something that the Group is regularly recognised for.

The Group has adopted policies and procedures designed to detect and prevent the use of its banking network for money laundering, terrorist financing, bribery, tax evasion and activities prohibited by legal and regulatory sanctions. Against a background of increasingly complex and detailed laws and regulations, and of increased criminal and terrorist activity, the Group regularly reviews and assesses these and organisational arrangements to keep them current, effective and consistent across markets and jurisdictions.

I am pleased to reaffirm Lloyds Banking Group's support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption. This third Communication on Progress shares an update on the progress we have made in integrating the principles into our business strategy, culture and daily operations.

I look forward to providing you with a further update on our progress in 2021.

Yours sincerely,

António Horta-Osório
Group Chief Executive



Our commitments across the ten principles

In September 2019 the United Nations Environment Programme Finance Initiative (UNEP FI) launched the Principles for Responsible Banking. Lloyds Banking Group is a founding signatory of the Principles, joining banks from around the world to build a more sustainable future.

We recognise that change is happening. Our economies are becoming greener and the Principles provide a single framework that embeds sustainability at the strategic, portfolio and transactional levels across all of our business areas. To continue our role in the UK economy in the 21st century, Lloyds Banking Group will show how it is meeting society's changing needs and demands by aligning our actions to these Principles.

Through both our Helping Britain Prosper Plan and wider responsible business activities, we're actively supporting a sustainable development agenda, working towards the United Nations (UN) Sustainable Development Goals (SDGs). The SDGs set out a global agenda for action to improve the wellbeing of present and future generations. Our Helping Britain Prosper Plan directly supports a number of the SDGs, and we believe they provide a point of focus and reference for our responsible business activities and for building relationships with external partners who share our vision and values.



Engaging with our stakeholders is fundamental to ensuring we continue to support the economic, social and environmental challenges that the UK faces. It enables us to understand what is important to them and their expectations of the Group. We invite stakeholders to participate in an annual materiality assessment, asking them to tell us what they feel is a priority. This feedback helps us shape our strategy and reporting. The themes ranked as most material directly inform the Responsible Business update in our 2019 Annual Report and Accounts, and additional reporting documentation available on our Reporting Centre.

We embrace our economic, social and environmental responsibilities to Help Britain Prosper by operating as a responsible, sustainable and inclusive Group.

Area of focus	SDG Supported
Helping the transition to a sustainable low carbon economy	
Helping Britain get a home	
Helping people save for the future	
Supporting businesses to start up and grow	
Tackling social disadvantage across Britain	
Building capability and digital skills	
Championing Britain's diversity	

Find out more [Helping Britain Prosper Plan](#) [Helping Britain Prosper Plan 2019 Annual Report and Accounts](#) [Reporting Centre](#)

Human Rights

PRINCIPLE 1
Businesses should support and respect the protection of internationally proclaimed human rights; and

PRINCIPLE 2
Make sure they are not complicit in human rights abuses.

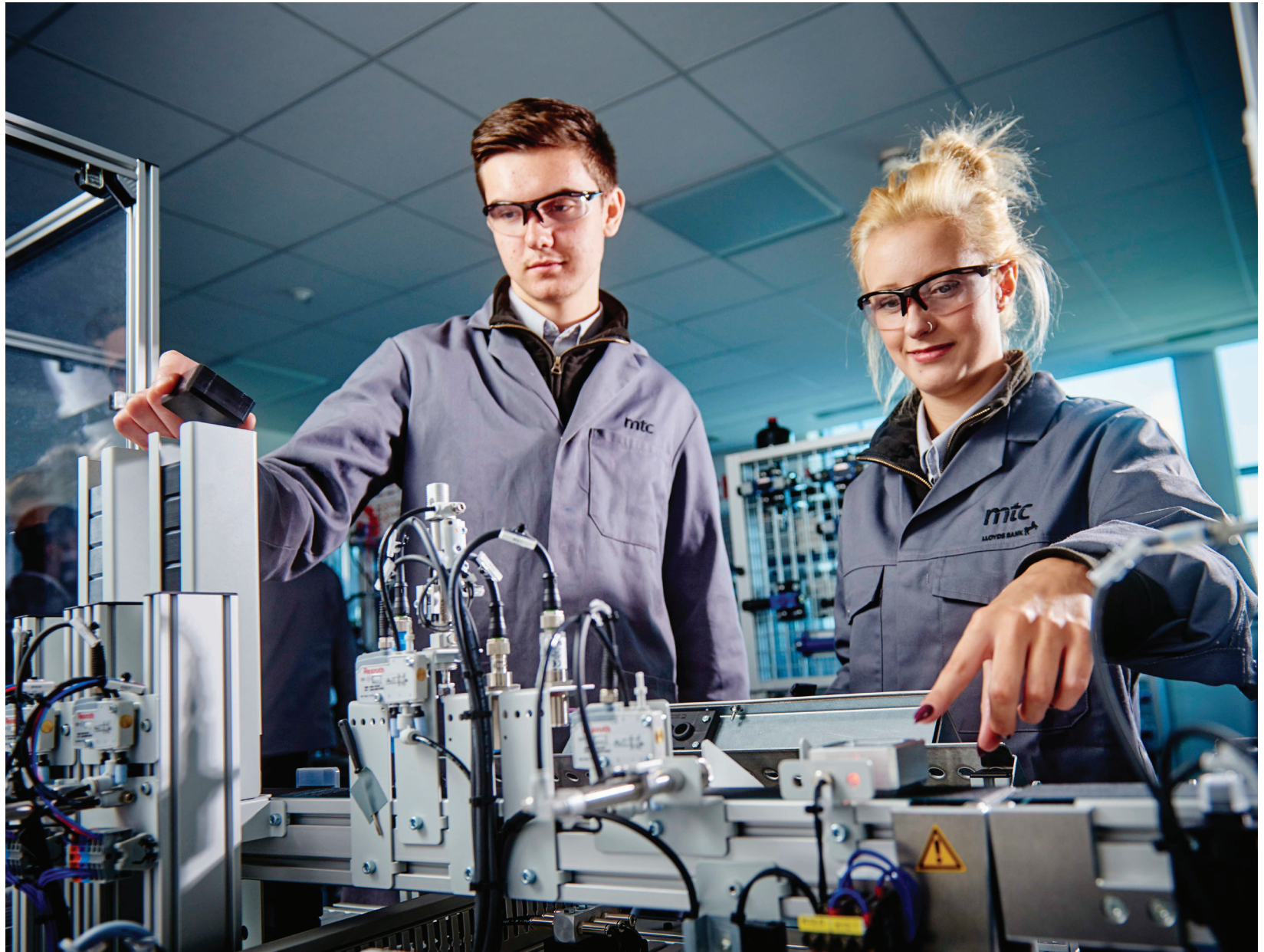
SDG SUPPORTED BY THESE PRINCIPLES:

5 GENDER EQUALITY
Achieve gender equality and empower all women and girls

8 DECENT WORK AND ECONOMIC GROWTH
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

10 REDUCED INEQUALITIES
Reduce inequality within and among countries



Human Rights continued

Our approach to human rights

A responsible and sustainable approach to doing business is central to our strategy and our purpose to Help Britain Prosper. We believe in the importance of doing business in ways that value and respect the human rights of our colleagues, customers, suppliers and the communities in which we operate and have a set of policies and procedures to translate this belief into action.

We adhere to the UN Declaration of Human Rights as well as the rules and regulations of each country in which we operate. We are guided by the International Bill of Human Rights as well as the International Labour Organisation's (ILO) Core Labour Standards and its Tripartite Declaration of Principles. We recognise the Organisation for Economic Co-Operation and Development (OECD) Guidelines for Multinational Enterprises.

During 2019, we reviewed how our business interacts with human rights. This has been formalised through our strengthened Human Rights Policy Statement which we published in February 2020. This was based on the UN's Guiding Principles on Business and Human Rights which we used as a framework to understand our human rights impacts, and to define our responsibility and approach to respect human rights. This statement captures how we have embedded human rights considerations within our business, both our own operations and our impacts on communities around us.

In 2015, we welcomed the UK Modern Slavery Act and continue to support this legislation by doing business responsibly,

taking meaningful steps to ensure that workers' fundamental rights and freedoms are respected. We do not tolerate slavery, trafficking or forced labour in any part of our business or supply chain and embrace the transparency and expectation of continuous progress that this important Act brings. You can read more about our approach in our 2019 Modern Slavery and Human Trafficking Statement.

We understand that human rights encompass more than just the individual and take into account social, ethical and environmental issues in our investment, lending and service operations. We are signatories to The Equator Principles and the UN Principles for Responsible Investment, and our corporate governance structure ensures that colleagues are supported to work responsibly and manage risk effectively. This structure includes our Board and our Board-level Responsible Business Committee, and extends to every part of our business through our Group Executive Committee and Executive-level Committees.

We have a number of Group Policies and procedures in place that reflect our commitment to operating responsibly and ethically as a business and as individual employees, such as our Colleague, Sourcing, Speak Up (whistleblowing) and Anti-Bribery Policies. 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. This annual review reflects our efforts to continually improve our responsible business governance approach, and to further embed human rights into our business. Each business area is required to set its strategy in line with our risk appetite and our policy requirements.

Our colleagues

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 our whistleblowing service, 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. We refreshed the Code in 2019 in advance of a full review during the course of 2020 to support the next phase of our Group strategy. All employees are required to review the Code and complete Speak Up training every year as part of the mandatory training curriculum, to understand their responsibilities and adhere to them every day.



We do not tolerate slavery, trafficking or forced labour in any part of our business or supply chains.



Find out more
[Human Rights Policy Statement](#)
[Modern Slavery and Human Trafficking Statement 2019](#)
[Code of Responsibility](#)

Human Rights continued

Our suppliers

Our Code of Supplier Responsibility highlights the importance we place on respect for human rights across all our business relationships, setting out the key social, ethical and environmental values that we want our suppliers to abide by. Updated in December 2019, we clarified our expectations of suppliers to respect human rights in both their operations and their supply chains and reflected this in the annual self-attestation questions.

Our active supply base comprises approximately 3,100 suppliers. We take a risk-based approach and those in potential high risk service sectors have a supplier manager assigned. We contractually require our c.1,100 managed UK suppliers to self-attest their compliance to the Group's policy expectations on an annual basis. Via the Financial Services Supplier Qualification System (FSQS) we ask suppliers to confirm they have read, understood and comply with the Code of Supplier Responsibility, and ask for evidence of processes and procedures for assessing and complying with relevant human rights legislation. Specifically;

- ➔ Respect the human rights of their employees and comply with all relevant legislation, regulations and directives, including the Modern Slavery Act and its reporting obligations in the countries and communities where they operate.

An independent supplier, Expolink, manages our confidential Speak Up line and we have worked with them to ensure that, if instances of modern slavery or other human rights abuses are reported, they are identified and effectively investigated. We expect our suppliers to have their own whistleblowing policy and facility, but offer our UK suppliers access

to Speak Up where they and their workers can report any incidents. The Speak Up Third Party Policy has been designed to assist in managing any risk that suppliers' employees are prevented from reporting any concerns about risk, malpractice or suspected wrongdoing.

Our customers

In 2019 we updated our external Sector Statements to strengthen our focus on human rights within our direct relationships. We aim to work with customers who operate safely and securely within a defined framework that upholds human rights. These statements include positions on six new sectors including manufacturing, automotive, agriculture, animal welfare, fisheries and UNESCO World Heritage Sites, in addition to the existing statements on power, coal, mining, oil and gas, forestry, and defence. These sectors have been selected because they contribute significantly to UK and global economic

growth, underpin job creation, tax receipts and royalties, and indirectly support community development. However, some activities undertaken in these sectors have the potential to impact the environment and local communities negatively. We expect our existing customers to respect human rights, both of their own workforce but also those in their supply chain and comply with all relevant legislation, regulations and directives, including the UK Modern Slavery Act and its reporting obligations, in the countries and communities in which they operate.

Together, these actions demonstrate the Group's commitment to doing business responsibly and to explaining the meaningful steps taken to ensure that workers' fundamental rights and freedoms are respected. For information on the more specific labour standards that we comply with, please refer to the Labour section in this report.



Outcomes

What the Group has delivered:

- ➔ A strengthened supplier risk framework, with the introduction in 2019 of additional questions that trigger a 'red flag', prompting further investigative action and remediation.
- ➔ Continued collaboration with others on the Traffik Analysis Hub (TAHub), designed to share vital trafficking information across all sectors. 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.
- ➔ Increased focus on supporting survivors of human rights abuses, such as modern slavery and human trafficking, including in the UK, modifying our Acceptable Documentation procedures to allow for alternative forms of documentation when opening accounts, as survivors of trafficking may not have these in conventional forms.
- ➔ Training and awareness raising with the National County Lines Co-ordination Centre (NCLCC) portfolio to provide support to more than 500 Group colleagues in spotting behavioural and transactional indicators.

What the Group has achieved:

- ➔ No reported incidents of human rights breaches, slavery or trafficking from our colleagues and our suppliers in 2019.
- ➔ Best Bank for Customers mandatory training completed by around 95 per cent of colleagues in 2019, to confirm they have read and understand their responsibilities under the Code of Responsibility.
- ➔ All employees are required to complete Speak Up training every year as part of the mandatory training curriculum. In 2019 colleagues reported 451 concerns, of which 216 were formally investigated following triage, with 39 per cent of those investigations substantiated, resulting in remedial action.
- ➔ Annual Anti-Money Laundering mandatory training completed by around 97 per cent of colleagues in 2019. This training was updated in Q4 2019, and is now part of the Fraud and Financial Crime Annual Refresher training and includes a modern slavery case study.



Find out more
Code of Supplier Responsibility
Speak Up Third Party Policy
Sector Statements

Labour

PRINCIPLE 3
Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining;

PRINCIPLE 4
The elimination of all forms of forced and compulsory labour;

PRINCIPLE 5
The effective abolition of child labour; and

PRINCIPLE 6
The elimination of discrimination in respect of employment and occupation.

SDG SUPPORTED BY THESE PRINCIPLES:

3 GOOD HEALTH AND WELL-BEING
Ensure healthy lives and promote well – being for all at all ages

5 GENDER EQUALITY
Achieve gender equality and empower all women and girls

8 DECENT WORK AND ECONOMIC GROWTH
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

10 REDUCED INEQUALITIES
Reduce inequality within and among countries



Labour continued

Our approach to labour

At Lloyds Banking Group, our efforts to be a responsible business require building a culture on integrity and respect. We do not tolerate any form of discrimination, slavery, trafficking or forced labour in any part of our business or supply chain and our commitment to respect labour rights is guided by the International Bill of Human Rights as well as the ILO's Core Labour Standards and its Tripartite Declaration of Principles. Our updated Human Rights Policy Statement details our approach to labour rights specifically and outlines our policy frameworks that guide this.



We recognise that everyone is different and we are working hard to build an inclusive Group that reflects the diversity of modern Britain.

Our colleagues

We do not tolerate discrimination in any form, and in respect of employment and occupation, deal with any colleague disputes and grievances fairly, following clear policies and procedures, including the ability to resolve issues informally.

We recognise that everyone is different and we are working hard to build an inclusive bank that reflects the diversity of modern Britain. Our Group Inclusion & Diversity approach focuses on gender, ethnicity, disability, mental and physical health and wellbeing (including support for parents and carers), LGBT+ and agile working, with topics sponsored by Group Executive Committee members. We set targets for engagement and representation at senior levels in the Group to ensure we continue to make progress, and have been recognised externally for our work.

As outlined in the Human Rights section of this report, we have a number of internal policies and procedures that reflect our commitment to operating responsibly and ethically.

Our Code of Responsibility (the Code) applies to all colleagues, contractors and temporary employees and provides an overarching framework to ensure the highest possible standards of behaviour, actions and decisions. They also set out the Group's commitment to colleague remuneration, health and wellbeing.

We have mandatory training for colleagues in the UK and overseas to ensure inclusivity is at the heart of what we do. This includes a module on Cultural Capability, focusing on maintaining and building stronger relationships with colleagues, customers and clients, and Look Closer, which helps colleagues to create a positive working environment, free from discrimination, bias, harassment, or bullying. Training is supported by other internal initiatives, such as Dress for your Day, which aims to ensure colleagues feel comfortable and included in the workplace, by removing strict dress code requirements where appropriate. We have refreshed our performance management approach to foster an inclusive environment through the Back to your Best toolkit that emphasises getting to the root of any challenges, and offering colleagues support to overcome these, for instance through the Employee Assistance Programme. Additionally, our Courageous Conversations training is designed to support difficult performance management conversations, by showing leaders how to manage emotional reactions so that important conversations become positive and constructive.

Flexibility isn't just a nice-to-have in today's working environment; it's a necessity. That's why agile, part-time and flexible working options are available to our colleagues. The Lloyds Banking Group Returners Programme is a Group



wide recruitment programme to help reintegrate senior colleagues back into the workplace after a period of time away from work. The programme is designed specifically to support people back into work over a 16 week period. Applicants are supported to become part of the business, with the aim of offering a permanent position if the placement is successful. Throughout the process applicants receive coaching, a buddy and a mentor alongside peer-to-peer support.

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 and, for our UK employees, includes the review of individuals' proof of identity, address, and right to work in the UK.

We want to ensure that every colleague feels valued and empowered to thrive. We support colleagues' rights to exercise freedom of association and have extensive



We want to ensure that every colleague feels valued and empowered to thrive.

collective bargaining processes in place, both in the UK and overseas. We have recognition agreements with two trade unions that collectively negotiate on behalf of our UK workforce (around 99 per cent of colleagues worldwide). Our relationship with these trade unions allows all parties to work together to improve the working environment and ensure colleagues are rewarded fairly for their contribution to the Group. Our decision to become a UK Living Wage Employer in 2015 resulted from this approach.

We review our pay rates annually to ensure minimum rates are above the statutory minimum and living wage requirements that are applicable in the countries we operate in. We have worked, and continue to work, with third-party contractors to ensure that they operate in line with our commitments and expect them to ensure that the wages they pay meet legally mandated minimums without unauthorised deductions.

The Group uses a number of recruitment agencies to fill roles. UK agencies are bound by contracts which require compliance with our Pre-employment Vetting Policy and Vetting Standards and the Code of Supplier Responsibility, and which include specific Modern Slavery and Anti-Bribery clauses. UK agencies also attest compliance annually via the Financial Services Supplier Qualification System (FSQS).

Find out more
Human Rights Policy Statement
Code of Responsibility

Labour continued

Our colleagues: Mental health

Our colleague wellbeing resources provide a range of support including direct access to counselling services. We are passionate advocates for removing the stigma attached to mental ill-health, actively creating a culture of openness and support and also offer colleagues private medical benefits that give parity to mental and physical health conditions.

We recognise prevention is equally as important as support, and in September we launched a personal resilience portal, for colleagues to better understand preventative measures available for both mental and physical health. We are also committed to achieving the highest standards of health and safety and fire protection for our colleagues, customers and anyone who visits our premises.

Our colleagues: Gender, ethnicity, identity and sexual orientation

Attracting, developing and retaining top talent regardless of gender, identity and sexual orientation is highly important to us and we are proud to have created an inclusive and open working environment for our colleagues.

The Group has featured in the Times Top 50 Employers for Women for eight years running, and in 2019 for the first time in the Bloomberg Gender Equality Index. Our award-winning women's network Breakthrough is the largest of its kind in the UK with 15,000 members and 4,000 mentors. We continue to be a sponsor of the Women of the Future Ambassadors Programme, providing mentors and role models to strengthen talent among young British women.

The Group continues to report annually on its Gender Pay Gap. We welcome this transparency and are pleased that our mean gender pay and bonus gaps have reduced further this year. Our gender pay gap has improved 1.9 per cent since 2017. Our focus remains on improving the gender pay and bonus gaps by increasing the proportion of women in senior roles and we continue to make progress towards our goal of having 40% of senior roles filled by women by the end of 2020.

Encouraging ethnic diversity starts with talking to colleagues and communities about their experiences. We know that role models and understanding cultural difference are vital, which is why we delivered cultural capability training to all colleagues in 2019, building knowledge of identity, race, faith and background. Over 200 BAME colleagues took part in our Authentic Leadership Programme for senior managers, our Career Development Programme for middle managers, and wider Sponsorship Programmes. This year, we published our Ethnicity Role Models list, featuring 70 Black, Asian and Minority Ethnic (BAME) colleagues, and in June, two colleagues were named in the top 100 ethnic minority executives, with a further two colleagues in the 50 future ethnic minority leaders in the Empower Ethnic Minority Role Model lists.

We have created an inclusive and open working environment for our LGBT+ colleagues, with the Group named Top Financial Employer, and seventh overall in 2019's Stonewall Top 100 employers. Our LGBT+ colleague network, Rainbow, plays a pivotal role in our approach, with over 5,000 members and supporters it is one of the largest of its kind in the UK.

Our colleagues: Disability

Traditionally, employment of people with disabilities has focused on making changes to physical infrastructure or working practices. We are progressing the debate from accommodating disabilities, to developing talent and careers and making Lloyds Banking Group inclusive for all.

In 2019, 2.2 per cent of colleagues disclosed a disability to us and we have a range of support in place to help them. We offer bespoke training, career development programmes and recruitment process adjustments for colleagues and applicants with disabilities, including those who have become disabled while employed. We have retained our Business Disability Forum (BDF) Gold Standard, and hold Disability Confident Leader status with the Department for Work and Pensions. The BDF considers our workplace adjustment process for disabled colleagues to be ground breaking, creating a best practice case study that they have shared with around 400 other BDF member organisations.



Around 50 per cent of colleagues belong to or support one of our five diversity networks.



In 2019, 85 per cent of colleagues agreed that the Group is an inclusive place to work.

Find out more
Gender Pay Gap

Labour continued

Our suppliers

We take a risk-based approach to supplier management and analyse suppliers based on geography, service sectors and spend. We continue to monitor and seek to continuously improve our process of identifying risks. Where we have suppliers in recognised higher risk countries or in service sectors such as cleaning, catering, property, security and uniform providers we ensure that a dedicated Supplier Manager supports these relationships.

We expect all UK 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 labour issues. We updated it in December 2019 clarifying our labour expectations of suppliers in both their operations and their supply chains and reflected this in the annual self-attestation questions. Specifically;

- ➔ 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.

Additionally, we expect all of our suppliers to understand our vision in relation to inclusion and diversity and expect them to:

- ➔ Treat all employees fairly and not discriminate against any group in their employment practices, in particular on the basis of gender, race, age, sexual orientation, gender identity, disability, faith, or family circumstances.
- ➔ Proactively support the development of an inclusive and diverse workforce including fair representation of women, disabled, LGBT+ and BAME employees.

We encourage our suppliers to:

- ➔ Have a documented Inclusion and Diversity statement or set of statements within their Policy framework.
- ➔ Encourage positive mental health at work, and have a documented mental health and wellbeing strategy.

Our suppliers are also asked to comply with specific Third Party Supplier Policies where applicable to the services they provide to the Group, such as Anti-Bribery, Data Privacy and Fraud.

These documents articulate Lloyds Banking Group's expectations in regards to behaviours and decision making, address the primary areas of risk which the Group faces and translates our risk appetite into mandatory requirements and controls.

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. We include compliance with the Code of Supplier Responsibility and modern slavery clauses in our UK supplier contracts and purchase order standard terms and conditions.



Find out more
[Code of Supplier Responsibility](#)
[Third Party Supplier Policies](#)

Labour continued

Outcomes

How the Group has been recognised:

- ➔ Featured in the Times Top 50 Employers for Women for eight years running, and in 2019 for the first time in the Bloomberg Gender Equality Index.
- ➔ Two colleagues named in the top 100 ethnic minority executives, with a further two colleagues in the 50 future ethnic minority leaders in the EMpower Ethnic Minority Role Model lists.
- ➔ Fiona Cannon, Group Responsible Business, Sustainability and Inclusion Director for Lloyds Banking Group named top ally at the Investing in Ethnicity Awards.
- ➔ Featured in Fortune's Change the World list for our work with Mental Health UK in enabling the creation of the Mental Health and Money Advice service and the introduction of our colleague workplace mental health training programme, Mental Health Advocates.
- ➔ Received a Princess Royal Training Award for our Resilient Leader training course, which recognises UK employers that have created lasting impact by successfully linking their skills development needs to business performance, and demonstrating that this training meets the City and Guilds standard.

What the Group has delivered:

- ➔ Updated Group Sourcing and Supplier Manager training and guidance covering the requirements of the UK Modern Slavery Act and the risks of slavery and human trafficking; available for colleagues to replay and download for future reference.
- ➔ Delivered Group-wide communications to raise awareness in support of the launch of the 2019 Modern Slavery and Human Trafficking Statement.
- ➔ 15,000 members and 4,000 mentors in our award-winning women's network Breakthrough, the largest of its kind in the UK.
- ➔ Continued sponsorship of the Women of the Future Ambassadors Programme, providing mentors and role models to strengthen talent among young British women.
- ➔ Rainbow, our LGBT+ colleague network, plays a pivotal role in our approach and with over 5,000 members and supporters it is one of the largest of its kind in the UK.

- ➔ Published our 2019 Ethnicity Role Models list, featuring 70 Black, Asian and Minority Ethnic (BAME) colleagues, and for the first time Ethnicity Advocates. These advocates champion the understanding of ethnic and cultural diversity, actively supporting and encouraging this across the Group. Over 200 BAME colleagues took part in our Authentic Leadership Programme for senior managers, our Career Development Programme for middle managers, and wider Sponsorship Programmes.
- ➔ Trained 40,000 colleagues on mental health issues and a programme of mental health advocates within the business.
- ➔ The first major organisation to sign up to the Mental Health Accessibility Standards in July 2019, created to make essential services easier to use for millions of people.
- ➔ Delivered our Optimal Resilience Leadership Programme, which covers personal, mental and physical wellbeing to more than 7,500 senior managers across the Group. In addition, rolled out a resilience portal for all colleagues, designed to help colleagues understand themselves and their body better, and put in place actions that help them to build personal resilience.

What the Group has achieved:

- ➔ Top Financial Employer and seventh overall in 2019's Stonewall Top 100 employers.
- ➔ A Top 10 Employer for Working Families for five consecutive years, awarded by the charity Working Families.
- ➔ Retained Business Disability Forum (BDF) Gold Standard and hold Disability Confident Leader status with the Department for Work and Pensions.
- ➔ The National Autistic Society's prestigious Autism Friendly Award, marking our commitment to become the UK's first autism friendly bank.
- ➔ 36.8 per cent of senior roles were held by women, and we remain committed to our challenging target of 40 per cent by the end of 2020.
- ➔ In 2018 the Group was the first FTSE100 company to set public goals to increase Black, Asian and Minority Ethnic (BAME) representation at all levels. We exceeded our 2020 target delivering 10.2 per cent of roles held by BAME colleagues, and increased the senior roles held by BAME colleagues to 6.7 per cent, working towards our stretching target of 8 per cent by 2020.
- ➔ 85 per cent of colleagues believe that the Group is an inclusive place to work and around 50 per cent of colleagues belong to or support one of our five diversity networks.

Our Reporting Criteria details the approach and scope applied to key diversity indicators.



Find out more
**Modern Slavery and Human
Trafficking Statement 2019
Reporting Criteria**

Environment

PRINCIPLE 7
Businesses should support a precautionary approach to environmental challenges;

PRINCIPLE 8
Undertake initiatives to promote greater environmental responsibility; and

PRINCIPLE 9
Encourage the development and diffusion of environmentally friendly technologies.

SDG SUPPORTED BY THESE PRINCIPLES:

7 AFFORDABLE AND CLEAN ENERGY
Ensure access to affordable, reliable, sustainable and modern energy for all

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

11 SUSTAINABLE CITIES AND COMMUNITIES
Make cities and human settlements inclusive, safe, resilient and sustainable

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Ensure sustainable consumption and production patterns

13 CLIMATE ACTION
Take urgent action to combat climate change and its impacts



Environment continued

Our approach to the environment

Our unique position within the UK economy means that the successful transition to a more sustainable, low carbon economy is of strategic importance to us. We support the aims of the 2015 Paris Agreement and the UK Government’s Clean Growth Strategy, which will require a radical reinvention of the ways of working, living and doing business including new Government policies and sustainable finance solutions.

In 2018 we set out our Sustainability Strategy and plan to achieve full Taskforce on Climate-Related Financial Disclosure (TCFD) by 2022 in line with the TCFD recommendations and the UK Government’s Green Finance Strategy. In 2019, we continued to embed the TCFD recommendations within our operations and have focused on developing new products, services and processes to achieve our ambitions.

As a signal of our commitment we have set an ambitious goal, working with customers, Government and the market to help reduce the emissions we finance by more than 50 per cent by 2030, supporting the UK’s ambition to be net zero by 2050 and the 2015 Paris Agreement. In order to meet our goal, we will:

- ➔ Identify new opportunities to support our customers and clients and finance the UK transition to a low carbon economy.
- ➔ Identify and manage material sustainability and climate related risks across the Group, disclosing these, their impacts on the Group and its financial planning processes, in line with the TCFD framework.

- ➔ Use our scale and reach to help drive progress towards a sustainable and resilient UK economy through engagement with customers, communities, industry, Government, investors, and suppliers.
- ➔ Embed sustainability into the way we do business and manage our own operations in a more sustainable way.



We aim to help reduce the emissions we finance by more than 50 per cent by 2030.

We have set ourselves seven leadership ambitions to support the UK’s transition to a sustainable future:

- 1.** Business: become a leading UK commercial bank for sustainable growth, supporting our clients to transition to sustainable business models and operations, and to pursue new clean growth opportunities.
- 2.** Homes: be a leading UK provider of customer support on energy efficient, sustainable homes.
- 3.** Vehicles: be a leading UK provider of low emission/green vehicle fleets.
- 4.** Pensions & Investments: be a leading UK pension provider that offers our customers and colleagues sustainable investment choices, and challenge the companies we invest in to behave more sustainably and responsibly.
- 5.** Insurance: be a leading UK insurer in improving the resilience of customers’ lives against extreme weather caused by climate change.
- 6.** Green bonds: be a leading UK bank in the green/sustainable bonds market.
- 7.** Our own footprint: be a leading UK bank in reducing our own carbon footprint and challenging our suppliers to ensure our own consumption of resources, goods and services is sustainable.

Environment continued

Climate change is a global challenge that requires collaboration across companies and industries to ensure the risks and opportunities can be adequately identified and managed. To support this, we participate in several industry initiatives and have signed up to key forums and principles that drive action on climate change and sustainability, including;

- ➔ The United Nations Environment Programme Finance Initiative Principles for Responsible Banking and Principles for Sustainable Insurance
- ➔ The Coalition for Climate Resilient Investment
- ➔ University of Cambridge Banking Environment Initiative – Bank 2030
- ➔ All three of The Climate Group’s campaigns – RE100, EP100 and EV100
- ➔ The PRA and FCA’s Climate Financial Risk Forum

Additionally, the Group has been a signatory to the Equator Principles since 2008 and has adopted and applied the expanded scope of Equator Principles III and committed itself to the adoption of Equator Principles 4 during 2020. The Group has also been a signatory to the UN Principles for Responsible Investment (UNPRI) since 2012, which incorporate ESG (environmental, social and governance) risk considerations into asset management.

In line with TCFD recommendations, we have identified our loans and advances to customers in high carbon sectors and key sectors that will be exposed to transition risk. Our exposure to high carbon sectors is low at less than

0.5 per cent of total loans and advances to customers. This is our initial view and will be reviewed as our transition risk insight develops. We continue to work with our customers to support transition, taking into account both risks and opportunities.

Given the strategic importance of our sustainability ambitions, our governance structure provides clear oversight and ownership of the sustainability strategy. This includes:

- ➔ The Responsible Business Committee (RBC), a sub-committee of the Board, chaired by Sara Weller, Group Non-Executive Director and includes the Chairman, Lord Blackwell as a member.

- ➔ The Group Executive Sustainability Committee (GESC), provides oversight and recommends decisions to the Group Executive Committee (GEC).
- ➔ The TCFD Working Group, co-chaired by senior executives in risk and sustainability, coordinates the implementation of the TCFD recommendations and supports adherence to key regulatory requirements on climate risk.
- ➔ The Group Chief Risk Officer (CRO) has assumed responsibility for identifying and managing the risks arising from climate change, alongside the CROs for the Group’s key legal entities.
- ➔ The Group Sustainability team is supported by divisional sustainability governance forums led by Divisional Managing Directors, ensuring a coordinated approach to oversight, delivery and reporting of the Group’s sustainability strategy.



“
Our £2 billion Clean Growth Finance Initiative is helping businesses reduce their environmental impact.”

“
We are transforming our own business with 100 per cent of our UK power needs from certified renewable sources.”

Find out more
2019 Annual Report and Accounts
Sector Statements

Environment continued

Outcomes

How the Group has been recognised:

- ➔ Leadership level in the 2019 Carbon Disclosure Project (CDP) Climate Change survey, scoring an A minus.
- ➔ Highest placed financial services firm on the Fortune Sustainability All Stars list; and won the Real Estate Capital Sustainable Finance Provider of the Year.

What the Group has delivered:

- ➔ One in 14 electric cars in the UK was supplied by Group subsidiary Lex Autolease in 2019, supported by a £1 million cashback offer on pure electric vehicle orders, reducing future carbon dioxide emissions by an estimated 28 kilotonnes.
- ➔ We continue to partner with the Cambridge Institute for Sustainability Leadership to provide high quality training to executives and colleagues in risk management, product development and client facing roles. In 2019, over 800 colleagues were trained, ensuring they are able to support clients on this journey.
- ➔ We have updated our external Sector Statements to include positions on six new sectors in addition to the existing statements on power, coal, mining, oil and gas, forestry, and defence.
- ➔ Our statement on coal has been updated and made more ambitious. We continue with our policy of not financing new coal fired power stations.

We have now tightened our requirements for providing general banking or funding, and now require new clients to have less than 30 per cent of their revenue from the operation of coal fired power stations and/or coal mines (previously less than 50 per cent).

- ➔ Sustainability is now a mandatory part of credit applications in Commercial Banking for facilities greater than £500,000, and we continue to develop sector specific guidance to help relationship managers identify climate risks.
- ➔ Existing customers whose overall operations include coal mining and coal power generation or who supply equipment or services to the sector will be expected to explain how they plan to reduce their reliance on revenue from coal fired power stations and/or coal mines. This includes reducing such revenue to less than 30 per cent by 2025 and, where relevant, to eliminate UK coal power generation in line with UK Government commitments.
- ➔ We expanded our Scope 3 emissions measurement to include additional categories of emissions from business travel and colleague commuting.
- ➔ One of only a handful of businesses globally to sign up to all three of The Climate Group's campaigns: RE100 – a commitment to source 100 per cent of our energy from renewable sources by 2030 (which we achieved in 2019); EP100 – a commitment to set ambitious energy productivity targets by 2030; and EV100 – a commitment to accelerate the transition to Electric Vehicles by 2030.

What the Group has achieved:

- ➔ Reduction in overall location based carbon emissions – 14.6 per cent decrease since 2018 and 63.1 per cent against 2009 baseline (legacy scope).
- ➔ Reduction in market based emissions – 12.9 per cent decrease year on year and 82.0 per cent against 2009 baseline.
- ➔ 100 per cent of UK electricity from renewable sources.
- ➔ Since 2018 the Group has supported renewable energy projects that power the equivalent of 5.1 million homes, achieving our Helping Britain Prosper Plan 2020 target a year early.
- ➔ Expanded the Clean Growth Finance Initiative (CGFI) eligibility to include hire purchase and leasing in the agriculture and manufacturing sectors, providing more than £950 million since launching in 2018.
- ➔ Met our 2030 carbon reduction target in 2019, having reduced emissions by 63 per cent since 2009.
- ➔ Provided more than £4.9 billion in green finance since 2016 through our CGFI, Commercial Real Estate Green Loans Initiative, Renewable Energy Financing, and green bonds facilitation.

Supporting suppliers to become more sustainable

We want to ensure that all our suppliers operate in a responsible and sustainable manner and we want our suppliers to share in our purpose to Help Britain Prosper. Our Code of Supplier Responsibility sets out the key social, ethical and environmental values that we want them to abide by.

The Group's aim is to be a leader in supporting the UK transition to a more sustainable, low carbon economy. We recognise both the importance of understanding and mitigating climate risks as well as the moral and commercial imperative for organisations to reduce their environmental impact. All businesses have a responsibility to be proactively managing, and reducing, their environmental impact. We expect our suppliers to understand these impacts and to:

- ➔ Abide by all legislation and regulations related to environmental protection.
- ➔ Have a written Environmental Policy which is appropriate and relevant for their operations.
- ➔ Have a sustainability strategy which sets out how their organisation is working to reduce their environmental impacts and support the transition to a low carbon economy.

We also encourage our suppliers to:

- ➔ Ensure that tackling climate change is embedded within the strategy and governance of the organisation, in order that related risks and opportunities are managed appropriately.
- ➔ Collaborate with us to help reduce our environmental impacts (which include carbon reduction, energy consumption, travel, water consumption and operational waste).
- ➔ Measure their organisation's environmental impact and put in place plans to reduce these impacts.
- ➔ Understand and mitigate the risks that climate change poses to their business.
- ➔ Be certified (or work towards certification) to a formal Environmental Management System Standard such as ISO14001 or ISO50001.



More information about our sustainability strategy, targets and performance is available from **page 28 of the 2019 Annual Report and Accounts**.

Our **Reporting Criteria** details the approach and scope applied to key environmental indicators.


Code of Supplier Responsibility


Anti-Corruption

PRINCIPLE 10

Businesses should work against corruption in all its forms, including extortion and bribery.

SDG SUPPORTED BY THESE PRINCIPLES:

8 DECENT WORK AND ECONOMIC GROWTH
 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

10 REDUCED INEQUALITIES
 Reduce inequality within and among countries

16 PEACE, JUSTICE AND STRONG INSTITUTIONS
 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



Anti-Corruption continued

Approach to anti-corruption

With the Group's unique position at the heart of the British economy, we have been Helping Britain Prosper for the past 250 years, setting high standards in our professional competence and behaviour to deliver for our customers and communities as a responsible, sustainable and inclusive business.

We have a moral and ethical duty to act with the highest standards of integrity and honesty at all times in delivering our strategy. We do not tolerate acts of bribery or corruption committed by any of our employees, including the Board of Directors, and any third parties who act on our behalf. Our commitment to anti-bribery and corruption builds on our corporate responsibility to our customers, shareholders and colleagues to deter, prevent, detect and respond to those who would seek to use the Group to facilitate any form of financial crime.

Creating and sustaining our values-based culture with good governance is crucial to ensuring engaged, well-informed colleagues who can effectively deliver our strategy. Our rigorous internal governance and controls, comprising numerous policies and standards ensure that we treat all stakeholders fairly, while minimising risk. Each year as part of mandatory training, colleagues review our Code of Responsibility (the Code), which provides clear guidelines for doing business fairly and responsibly.

Speaking Up

We encourage colleagues to report suspected instances of corruption, internal fraud or bribery through internal escalation routes. If our colleagues witness something inappropriate, they can report the matter to the Colleague Conduct Management Team, or make use of our independent and confidential whistleblowing service, Speak Up. All colleagues complete mandatory training about ways in which they can raise their concerns and this includes details of Speak Up and the support available.

Speak Up is managed by an independent company, Expolink, which has expertise in dealing with reports of misconduct. All reports to Speak Up are taken

seriously and dealt with confidentially. Colleagues can contact Speak Up by phone, email or online. Concerns are taken seriously and all genuine reports investigated. Identity can remain confidential if preferred and no colleague will be discriminated against as a result of raising an issue. We also provide access to our UK suppliers where they and their workers can report any incidents. The Speak Up Third Party Policy has been designed to assist in managing any risk that suppliers' employees are prevented from reporting any concerns about risk, malpractice or suspected wrongdoing.

Anti-Bribery

To tackle bribery and corruption, we have policies and procedures in place to comply with all applicable laws and regulation where we operate. This includes an Anti-Bribery Policy which requires all employees, including Directors and Non-Executive Directors and anyone acting on our behalf (agents, other intermediaries, contractors, subcontractors and suppliers) to act with honesty and integrity and in accordance with the behaviours set out in our Code of Responsibility and Code of Supplier Responsibility.

Employees and those acting on our behalf are prohibited from paying, offering, accepting or requesting a bribe, in any form; from making facilitation payments, even where this may represent local practice or custom; and from taking any action to circumvent established controls to deter, prevent, detect or respond to bribery. All colleagues, including temporary staff and contractors, receive Anti-Bribery training as part of their induction and via annual Fighting Fraud and Financial

Crime mandatory training. We also work with third parties acting on our behalf to ensure that their employees are provided with appropriate training and awareness activity on a regular basis.

Gifts, Entertainment and Hospitality (GEH) has the potential to contravene legal and/or regulatory requirements relating to bribery and may also create conflicts of interest and/or reputational risks. We only allow the giving or receiving of any benefit, gift, entertainment or hospitality by or to a business or our colleagues, in specific circumstances defined in the Group Gifts, Entertainment and Hospitality Procedure. All colleagues receive GEH training as part of their induction and via annual Conflicts of Interest mandatory training. This Procedure supports the implementation of the Group Compliance Policy and Anti-Bribery Policy. When offering, accepting, giving or receiving GEH colleagues must:

- ➔ Ensure that the cost or value of the GEH is proportionate to the Group's relationship with the provider or recipient.
- ➔ Ensure that any GEH must not be construed as being improper, excessive or as a bribe or potential bribe.
- ➔ Ensure that the timing of any offers or the acceptance of any GEH is appropriate to any announcements in respect of the Group and/or any other parties involved in the GEH.
- ➔ Ensure that the GEH has been approved in line with the requirements.
- ➔ Record the GEH in a format set out under the requirements of the Procedure; the GEH register is reviewed at least quarterly to identify the levels of GEH received by colleagues.

To help ensure our business is conducted without bribery and corruption, we are committed to:

- ➔ Conducting regular risk assessments of our business practices to identify, mitigate and control potential bribery and corruption risks.
- ➔ Risk assessing and undertaking appropriate due diligence of third parties acting on our behalf to allow us to be satisfied that the third party is genuine and one which we can trust to do business without bribing; this may include terminating relationships in some instances.
- ➔ Running implementation, oversight, assurance and audit programmes to demonstrate compliance with Anti-Bribery Policy requirements.
- ➔ Reporting regularly on progress to our Risk Committees.
- ➔ Ensuring that requests to engage in giving or receiving charitable donations, event sponsorship and gifts, entertainment and hospitality do not lead to unacceptable levels of risk.
- ➔ Ensuring that anyone found to be involved in bribery is considered for internal disciplinary action in line with our disciplinary policy.
- ➔ Supporting law enforcement and regulatory bodies in any prosecutions by investigating and reporting promptly.



We do not tolerate acts of bribery or corruption committed by any of our employees, including the Board of Directors, and any third parties who act on our behalf.

Anti-Corruption continued

Governance

Our approach and governance is overseen by the Group Fraud and Financial Crime Prevention Committee. This Committee brings together accountable stakeholders and subject matter experts to ensure that the development and application of fraud and financial crime risk management complies with the Group's strategic aims, corporate responsibility, risk appetite and Group Fraud and Financial Crime (Anti-Money Laundering, Anti-Bribery and Sanctions) Policies. It provides direction and appropriate focus on priorities to enhance the Group's fraud and financial crime risk management capabilities in line with business and customer objectives whilst aligning to the Group's target operating model.

We are also a member of the Business Integrity Forum of Transparency International UK, a network of major international companies committed to operating to high standards of integrity and transparency in business practices, including anti-bribery and corruption.

Working with our customers

We expect all of our customers to comply with applicable international conventions, sanctions and embargoes, legislation, and licensing requirements whilst showing a clear commitment to robust environmental, social and governance (ESG) factors and risk management. In all sectors, and especially those which experience heightened exposure to corruption and money laundering risks, we aim to work with customers who

align their operations with the United Nations Global Compact's human rights, labour, environment, and anti-corruption standards. During 2019, we updated our Sector Statements, and these apply to the Group's banking customers that have a direct relationship with Lloyds Banking Group and reflect our risk assessment approach for specific sectors.

Working with our suppliers

Our Code of Supplier Responsibility sets out the key social, ethical and environmental values that we want suppliers to abide by. We expect all suppliers to act with honesty and integrity, managing their business ethically and responsibly. We expect them to have identified and understand the risks in their business and to:

- ➔ Have a written Responsible Business strategy which sets out their approach, governance and the steps they take to ensure they are doing business responsibly.
- ➔ Adopt their own Code of Supplier Responsibility, or a similar policy or statement that covers: adherence to local laws; bribery and corruption; and business integrity (including improper payments, conflicts of interest, fraud, competition, gifts and hospitality, and brand and intellectual property protection).
- ➔ We also encourage them to support and improve the communities where they operate from an environmental, social and/or economic perspective.



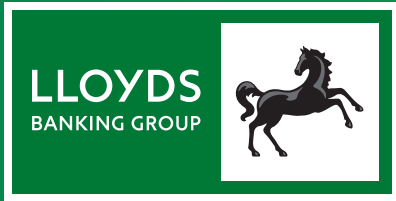
Where a supplier is identified as high risk, businesses within the Group are expected to undertake a risk assessment and risk-based anti-bribery due diligence. The Managing Director (or equivalent) of each business area or support function must identify, appoint and sponsor a Nominated Senior Manager (NSM). The NSM ensures that the business area's control processes and procedures are appropriately designed and operated effectively.

The NSM approves any high risk supplier relationships prior to any contracts or formal agreements being finalised. Businesses must then monitor the supplier throughout the duration of the relationship and at least annually review and refresh their risk assessment and risk-based anti-bribery due diligence to ensure any material change is identified and issues escalated as appropriate.

Outcomes

- ➔ No fines or external legal cases involving the Group during 2019.
- ➔ Around 97 per cent of colleagues completed the Fraud and Financial Crime Annual Mandatory Refresher training in 2019.
- ➔ Around 95 per cent of colleagues completed the Code of Responsibility Annual Mandatory training in 2019.

Find out more
[Code of Responsibility](#)
[Speak Up Third Party Policy](#)
[Anti-Bribery Policy](#)
[Code of Supplier Responsibility](#)
[Sector Statements](#)



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