



Sustainability Report

Helping people and businesses prosper

2017

 Santander

Contents

01

Our business and 2017 highlights

02

Message from our Chair and CEO

03

About this report

04

Our business context: opportunities and challenges



05

Our materiality matrix



06

Our performance

Licence to operate
Internal impact
External impact
Trends

07

Governance



08

Stakeholder engagement

09

Our strategy, impacts and way forward



10

Appendix

Impact assessment
Sustainability indicators
GRI, SDGs & Compass alignment table
Assurance statement



Our business and 2017 highlights

Santander UK at a glance

Businesses have a wide range of social, environmental and economic impacts. Banks, along with the broader business community, governments and civil society, can play an important role in creating a prosperous world. We know that by helping people buy their home, save for the future or support business growth, we can be an enabler of a better economy and society. This is why, at Santander UK, we're led by our purpose: to help people and businesses prosper.

Our aim is to be the best retail and commercial bank, earning the lasting loyalty of our stakeholders. We pride ourselves on being Simple, Personal and Fair and try to demonstrate this when dealing with customers, staff, shareholders and communities.

We are the:



3rd

Largest mortgage provider



4th

Largest current account provider

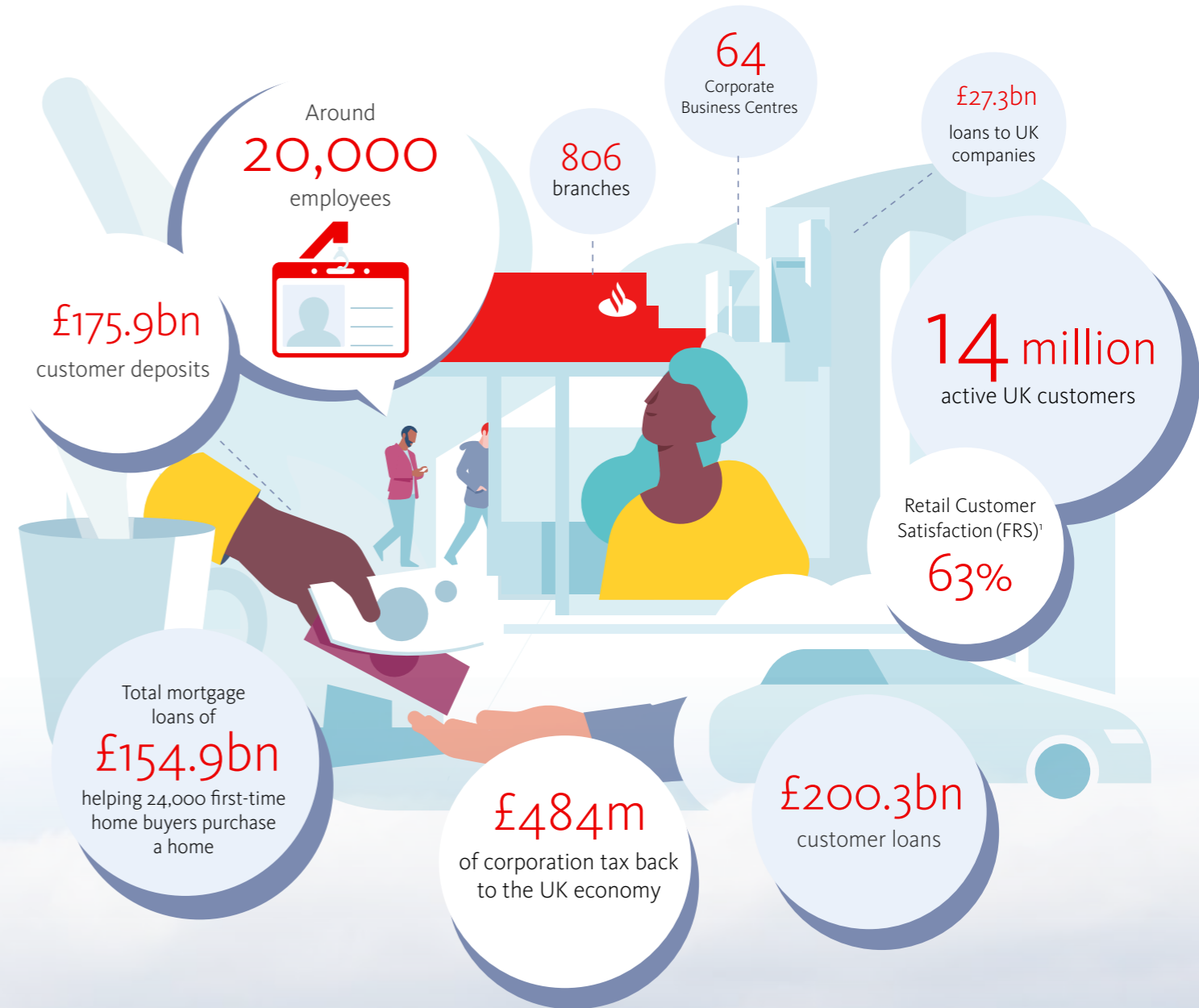


5th

Largest commercial lender

We provide a high quality, seamless service across our branch network, digital and telephony channels. For **more information** see our 2017 [Annual Report](#).

Santander UK in numbers



Our new approach to CSR & Sustainability

We are on a journey to better understand our impacts beyond profits and evolve our CSR and sustainability approach – making it more strategic and ensuring it delivers the maximum value to our business and society.

¹ The Financial Research Survey (FRS) is a monthly personal finance survey of around 5,000 consumers prepared by the independent market research agency, GfK. The 'retail customer satisfaction' score refers to the proportion of extremely and very satisfied customers across mortgages, savings, main current accounts, home insurance, UPLs and credit cards, based on a weighting of those products calculated to reflect the average product distribution across Santander UK and competitor brands. The competitor set used to calculate the product weights is Barclays, Halifax, HSBC, Lloyds Bank, Nationwide and NatWest. The competitor set included for the ranking and highest performing peers is Barclays, Halifax, HSBC, Lloyds Bank and NatWest.

2017 highlights

We delivered a solid financial performance in a challenging operating environment.



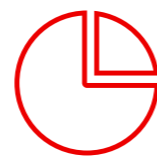
£1,814m

Profit before tax



51%

Cost-to-income ratio



12.2%

CET1 capital ratio

We added value to the UK economy:

- Supporting 1,407 internships into SMEs and 80 work placements;
- Helping 6,270 businesses through our Breakthrough activities, with >£500 million of lending to SMEs since 2012 through our Growth Capital team;
- Awarding 80% of our new supplier contracts, worth over £7 million, to SMEs (businesses with less than £10 million annual turnover or 250 employees); and
- Being named the World's Best Bank for SMEs by Euro Money for the second year in a row and Best Online Mortgage Provider at the Moneyfacts Finance Awards.

We continued to support the communities in which we operate:

- Investing £20.2 million in our local community through our Discovery project;
- Helping 281,673 people through a range of programmes designed to build skills, knowledge and innovation; and
- Offering 13,634 scholarships and awards and 1,407 internships through Santander Universities.

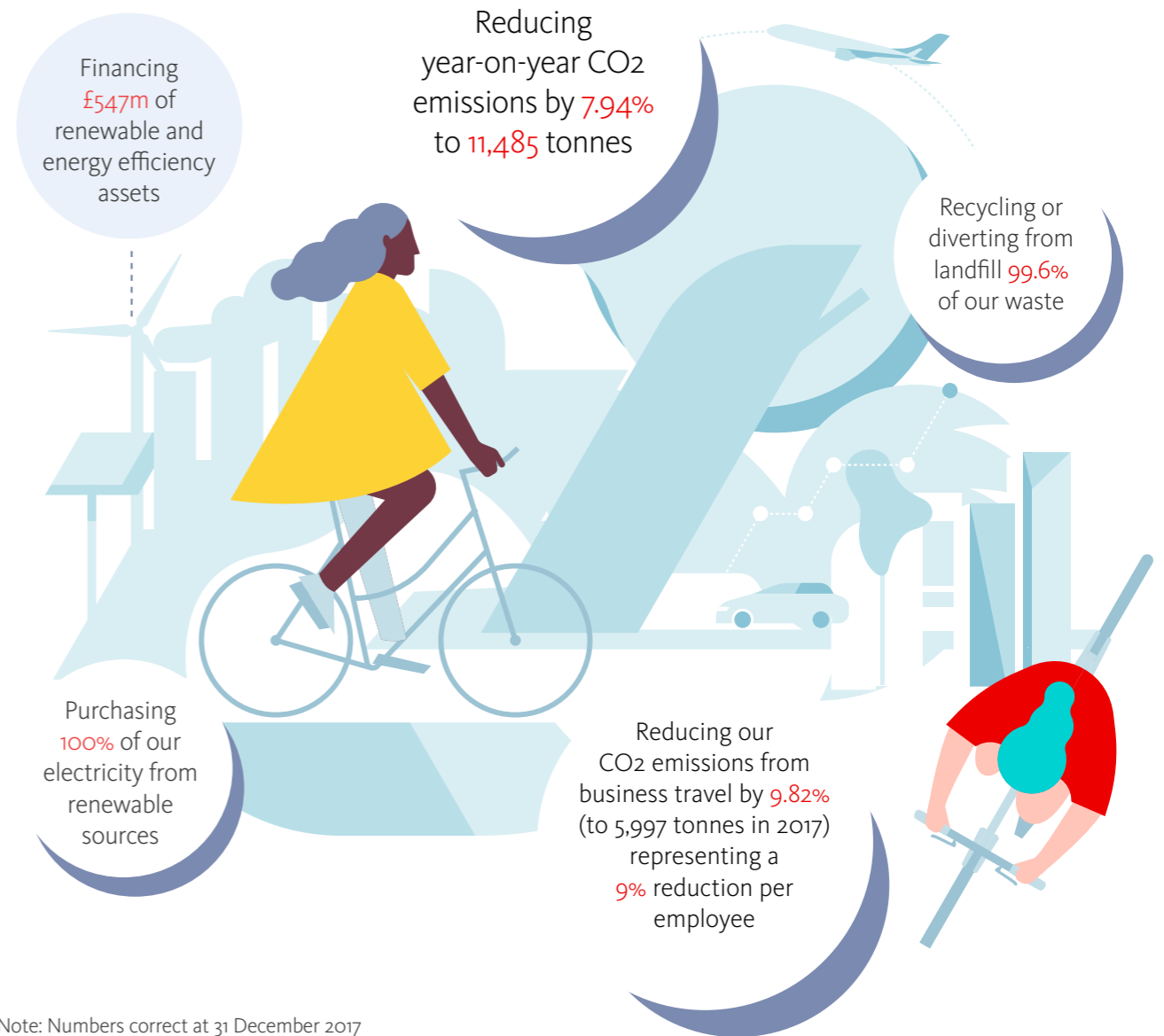
We continued to invest in our workforce – its development, skills and diversity:

- Being awarded the Top Employers UK certification;
- Investing more than £8.8 million, which allowed us to run more than 104,800 days of employee training;
- Colleague engagement stable at 71% and above average compared to the rest of the UK financial sector companies; and
- Being recognised by Business in the Community as one of the UK's Best Employers for Race and winning the LGBT Friendly Financial Institution at the GNI MAG awards.

We improved our digital footprint:

- Growing our digital customers to 5 million; with 1,400 new active mobile users each day; and
- We also have 31,760 digital corporate customers.

Continued to protect our planet and move towards a green economy:



Note: Numbers correct at 31 December 2017

Message from Shriti Vadera, our Chair

“We can maximise our positive social impact by helping tackle issues like financial inclusion and literacy.”



In the modern economy, responsible businesses understand their role in society goes beyond responsibility to their shareholders. Customers, employees and investors want to know that the businesses they buy from, work for and invest in are guided in what they do by a clear purpose and genuinely held values and that they operate with integrity and help improve the communities they work in.

For Santander UK, sustainability is more than just how much money we donate to philanthropic causes. We aim to make it the heart of how we operate in all parts of our business. We would like our customers to know that banking with Santander is a guarantee of the highest standards on business ethics and corporate culture. We want to demonstrate, in every aspect of what we do, how we live up to our values.

As a bank, we have a particular responsibility to support financial stability and to be an enabler of a prosperous economy and society. We understand that through our purpose of helping people and businesses prosper, we can help advance social cohesion, growth and wealth creation by running a responsible and sustainable business.

I am pleased that we have undertaken a thorough review of our sustainability programme this year and have decided to focus on outcomes not inputs, to concentrate our efforts in order to provide continuity year-on-year, and to maximise our impact by choosing areas where we have the most to contribute and by working in partnership with others.

Financial inclusion and literacy can significantly impact the lives of lower-income and hard-to-access communities and is an area where we believe we can make a positive impact. This goes beyond decisions about what kind of bank account to choose and extends into education, employment, health, housing and overall wellbeing.

Digitalisation is fundamentally changing the way the sector operates, but as more of our customers interact with us online, we have a responsibility to deliver

on cybersecurity, to fight financial crime and to protect customer privacy and security.

Santander's global Universities programme continues to support education all over the world. In the UK, we have 84 partner universities through which we have supported students in their academic ambitions and helped them develop the skills they will need in their careers. This programme will remain a priority.

In recent years, the effects and long term impact of economic activity on the environment have been evident. We understand that as a financial institution, we have a vital role in facilitating the transition to a low carbon economy. We are continuing to work with regulators and other stakeholders to assess and understand the potential risks to financial stability and support a gradual and stable transition.

These challenges and opportunities can only be addressed by putting our people at the core of our business. In caring for the wellbeing of our people we will continue to improve our workplace and ensure that our employees feel comfortable, confident and empowered no matter their gender, sexuality, ethnicity or disability.

In 2018, Santander will continue to deliver on our sustainability commitments. Through our refocused sustainability strategy, in the coming years we will continue to develop and refine our approach by working on measuring the outcomes and impacts of our actions.

Message from Nathan Bostock, our CEO

“We have achieved much as a business in 2017 and are proud to continue investing in society and towards a more sustainable future.”



Our role and purpose

A successful business is one that creates sustainable growth in and for the communities it serves. The decisions that we take impact not only our customers and businesses, but the wider economy and the environment.

As CEO of Santander UK, I am aware that those decisions say everything about the sort of bank we are and what our purpose is. What we stand for and what we do every day is to help drive prosperity for current and future generations.

I believe that financial institutions have an incredibly important role to play in addressing the challenges that face us all: from financial crime and financial inclusion to broader systemic issues such as climate change and gender equality.

By delivering on our purpose to help people and businesses prosper, we want to create an enabling environment where both our business and our society can flourish.

Looking back at a strong year

Over the past year, we brought this ambition to life through a range of programmes and activities and our new approach to CSR & Sustainability.

Our Discovery project is a great example of how we work alongside local community groups to give people a chance to learn about the world around them and prepare for whatever challenges they may face in the future. We committed over £20 million this year to helping more than 280,000 people and I know that many of our employees relish the chance to get involved and offer their support through our Discovery Days.

I am especially proud of our long standing relationship with our 83 partner universities that has enabled us to directly support over 13,000 students, graduates and university staff and provide 1,400 internships into SMEs. Giving people the chance to reach their potential,

whether it be through learning or that first step into the workplace, is absolutely critical in creating an environment where prosperity can grow.

There is an obligation on us to take the decisions that make us a sustainable and environmentally aware employer. Last year we reduced our CO2 emissions to 11,485 tonnes, with further reductions on our business travel. We also bought all of our electricity from renewable sources whilst recycling and diverting from landfill almost all of our waste.

Of course, we must challenge ourselves to do more, but we are committed to taking what action we can to tackle the most pressing issues facing us today.

Building a prosperous future

At Santander UK, we have embarked on an exciting journey to embed our purpose to help people and businesses prosper in every business decision.

I am proud that our people, reflective of the communities we work in and support, want to play their part in delivering a sustainable and prosperous economy. It is this commitment, culture and strength of purpose, alongside our prudent approach, that offers a solid foundation to support value creation for all our stakeholders.

This report, along with our materiality matrix and impact assessments, marks an important milestone for Santander UK and demonstrates our commitment to continue in this journey and make sure we build a prosperous future for all.

About this report

Overview

This report marks the first milestone in our new approach to sustainability reporting. It features a materiality process, impact assessments on selected business activities and an in depth look at our performance against our sustainability agenda.

How to navigate this report

This report explains Santander UK's new approach to sustainability – through our objectives, practices and aspirations.

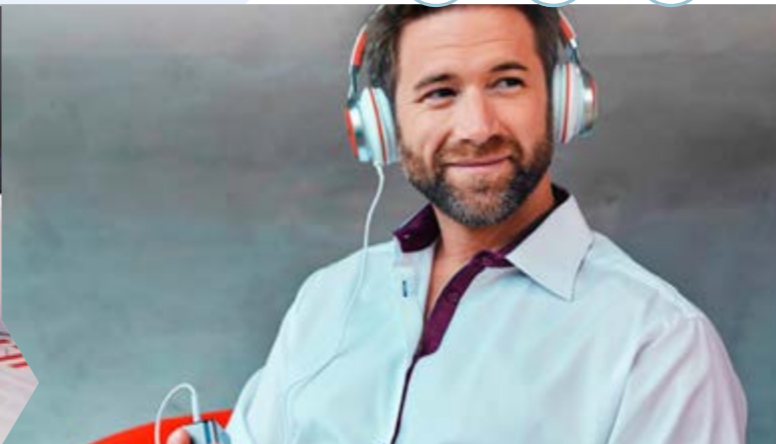
This report outlines our approach to managing our environmental, social and economic impacts, measuring our performance from 1 January 2017 to 31 December 2017 whilst setting our plans for the future. This complements our 2017 Annual Report and our 2017 Strategic Report.

Selected information and key performance indicators have been externally [assured](#). This year we have been guided by the latest [Global Reporting Initiative \(GRI\) standard](#) guidelines, which represents global best practice in sustainability reporting.



5. Our strategy, impacts and way forward

Read more on how our approach to impact assessment feeds to our long term sustainability strategy and our vision for a fully purpose-led business.



1. Our business context: opportunities and challenges

Discover more about Santander UK's business and the key drivers and megatrends that shaped our sustainability approach.

2. Our materiality matrix

Find out what are the issues that matter most to Santander UK and its stakeholders.

3. Our performance

Explore how we manage and perform on our material issues.

4. Governance

Find out how we manage sustainability at Santander UK from employee forums to Board level governance committees.

Our business context: opportunities and challenges

Future-proofing our business through monitoring, evaluating and adapting to global megatrends is crucial. Responding to a constantly changing environment is key to fulfilling our purpose of helping people and businesses prosper. We see five major forces affecting the UK economy, society and the banking sector.

Changing customer behaviour

The opportunity and challenge

Population dynamics in the UK are changing, influenced in particular by millennials and an ageing population. This is impacting traditional customer segments and creating diverging needs. While the adoption of new technology offers many benefits to customers, it doesn't necessarily satisfy all customer needs. As a result, banks are re-evaluating their services and operating models and branch numbers are now in decline across the UK.

Our response and vision

We understand that customers have different needs and aim to serve them through the most suitable channel. Through an omni-channel approach that includes digital channels (in particular mobile), branch networks, call centres and corporate business centres, we utilise innovative solutions, coupled with a customer-centric approach, to deliver excellent customer experience. This allows for seamless customer conversations across various channels, whether this be through branch, telephone or digital.

For more information, see the Digitalisation and Customer satisfaction sections

Rising social inequality

The opportunity and challenge

Whilst the UK economy continues to grow, there are 16 million people in need of financial advice, but are unable to access or afford it. Socio-economic inequalities threaten the ability of our society and businesses to thrive. It's therefore important to focus on inclusive growth to allow more people to enjoy and share the benefits of prosperity. Financial inclusion is key to increasing prosperity of low-income and hard-to-access communities, impacting their lives through education, employment, health and housing.

Our response and vision

As a major high street bank and one of the UK's most recognisable brands, we want to serve society as a whole, including its most vulnerable groups. We do this in multiple ways, from special product and service offerings, to helping people regain control of their finances through specialist support. Our front-line and customer-facing colleagues play a critical role, being specifically trained to recognise and understand issues which might impact our customers. At the same time, we continue to support our communities by funding and participating in local community activities.

For more information, see the Financial Inclusion and Community support and development sections.

Rapid technological change

The opportunity and challenge

In the digital age, the accelerating pace of technological change provides an opportunity for banks to re-evaluate how they engage with customers and how they undertake their day-to-day business. But it also presents us with a challenge. Digitalisation can both foster and hinder financial inclusion: if technology can make financial products and services more accessible, there is still a significant number of customers who prefer a traditional banking service and are at risk of being excluded.

The financial sector is also experiencing increasing and complex risks from cyber-attacks which threaten customers' data security and privacy as well as banks' own operating systems.

Our response and vision

Our ambition is to unlock the potential of new technologies to better respond to customer needs whilst ensuring that certain groups are not excluded by the rapid pace of digitalisation. Our collaboration with FinTech companies is already bringing greater personalisation to our services, anticipating our customers' needs, providing potential solutions more immediately and offering a frictionless experience.

To help tackle cyber attacks and fraud we're collaborating with other market leaders in the sector, law enforcement and Government authorities.

For more information, see the Digitalisation and Customer privacy and information security sections.

Increasing environmental pressures

The opportunity and challenge

The need to respond to climate change is becoming more and more urgent. The financial sector has a major role to play in supporting the transition to a low-carbon economy. Significant capital investment and finance is needed to meet the Paris Agreement climate goals. Climate change risks are impacting assets and investment portfolios with banks tied to the health of nearly every market sector. Regulators and other stakeholders are increasingly interested in the potential impacts of these risks on financial stability, allowing for the potential for climate finance to grow exponentially. This comes on top of operational efficiencies for businesses if they can minimise potential negative environmental impacts from their activity.

Our response and vision

We're committed to supporting our clients in managing the transition to a low carbon economy. This includes businesses that are currently carbon intensive and those that are impacted by climate change, for example, households and businesses impacted by floods. We're one of the largest UK renewable energy market financiers. We run projects which significantly reduce our environmental footprint on top of creating year-on-year cost efficiencies across our operations.

For more information, see our Environment section.

Our business model and culture



Increased focus on ethics and conduct

The opportunity and challenge

The financial crisis and its fall out has eroded trust, not just in the financial sector, but in business more widely with many people asking what its role in society should be. There is now a greater focus and demand from stakeholders for company cultures to reflect a more ethical approach to business and offer increased visibility and transparency on non-financial aspects of performance.

We believe an ethical business is one that shares the values of the society it serves and is open about how it balances generating a profit with contributing to the economy through paying taxes, creating jobs, opportunities and improving the skills of its workforce whilst managing its impact on society and the environment.

Our response and vision

We operate under a social contract, one binding not just for our people, but for all of our stakeholders. We're committed to maintaining high ethical standards, conducting business in a transparent way, treating all stakeholders with honesty and integrity and adhering to the spirit and letter of the laws and regulations of the land. At the same time, we expect all of our stakeholders to abide by such standards, in order to ensure that our purpose is delivered in a collective and impactful manner. We review each investment and lending proposal case-by-case, taking into account potential socio-economic and environmental impacts. We apply the same principles when considering supporting or partnering with particular organisations, governments and projects.

For more information, see our Licence to operate section.



Our materiality matrix

The materiality matrix assessment is an evidence based approach to identifying the topics (also called 'material issues' in this report) that are perceived as the most important to both our business and its stakeholders.



Identifying our material issues will guide us on where to focus our efforts and resources to drive the highest positive impact through our business. Also, reporting on our material issues will ensure that stakeholders can access information on Santander UK's sustainability approach and performance in a transparent and meaningful manner.

For an issue to be considered as material, we took into account three main criteria:

- Is it reflective of the economic, environmental and social impacts of our business and the wider financial services global business context?
- Is it impactful and important to key external stakeholders such as peers, regulators, media, NGOs, investors?
- Is it impactful and important to key internal stakeholders such as Executive Committee members and our colleagues?

It enables businesses to take decisions that are well informed and in line with stakeholder interests and priorities. Having a sound materiality matrix assessment is considered best practice in sustainability reporting. On the one hand, it ensures that the business engages effectively with its stakeholders understanding their priorities. On the other hand, it ensures that its reporting is relevant and reflective of its stakeholder priorities and expectations.

This is why we followed a thorough materiality assessment process which included desk research (qualitative and quantitative), artificial intelligence and stakeholder interviews.

Leveraging artificial intelligence

We used the power of artificial intelligence to take a data-driven approach to our materiality matrix assessment, providing us with a broader and deeper insight into the issues that matter most to our external stakeholders. Using computational linguistics – a technique that analyses text and derives meaning from human language – we were able to extract comparable information from narrative (text) from thousands of publicly available sources such as corporate reports, regulations, digital media and social media sites. This allowed us to identify an initial list of issues relevant to the UK Financial Services industry for further assessment.

Materiality assessment process

Our materiality process involved five main steps.

- ### 1 Identification of key issues

Through artificial intelligence and big data analysis, we identified a pool of issues relevant to the UK Financial Services industry for further assessment.
- ### 2 External assessment

We further analysed the initial pool of issues using artificial intelligence to identify which ones are most important to external stakeholders (regulators, media, NGOs and peers). This was supported by an analysis of investor views, peer material issues, emerging trends and key risks. This enabled us to narrow the initial pool to a set of material issues for internal assessment.
- ### 3 Internal assessment and prioritisation

We presented the material issues to internal stakeholders, including all Executive Committee members and nominated colleagues. We discussed and evaluated the scale and likelihood of each issue to impact Santander UK. These consultations, combined with our external assessment, allowed us to position and prioritise our material issues in the Materiality Matrix (see below).
- ### 4 Material issues categorisation

During our interviews most stakeholders clustered the material issues into groups. We reflected this in our matrix by grouping the issues into five macro topics (see wheel below): internal impact, trends, licence to operate and managed with group.

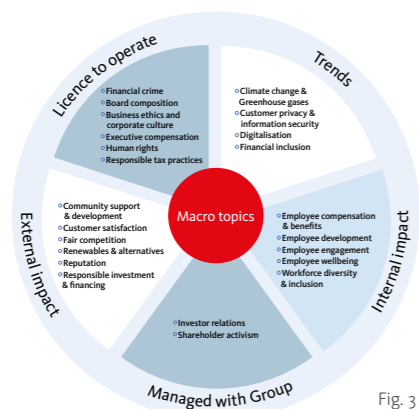


Fig. 3

Note

For the material issues managed with Santander Group please refer to the [Santander Group report](#) for more information

5 Materiality matrix development

We then plotted the issues in our materiality matrix. We have focused on the top four quadrants and top material issues, as this is where the material issues with the highest impact, relevance and interest sit, as perceived by Santander UK and its stakeholders.

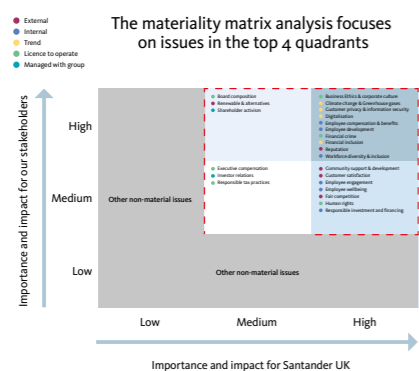


Fig. 4

Our material issues and the SDGs

The United Nations' Sustainable Development Goals (SDGs) are a 'plan of action for people, planet and prosperity'. Santander UK's ambition to help people and businesses prosper is therefore fully aligned with the SDGs vision.

The SDGs call for worldwide action among governments, business and civil society to help achieve them. We recognise that our business depends on a thriving UK economy, within a thriving society and environment which is in line with [UK Government's expectations from the UK business world](#). Within this context, we see the SDGs as an important framework to help address some of the most pressing global issues, while also driving business growth.

Our material issues are well aligned to the SDGs. During our journey to understand and measure our impacts, we'll continue to build on this alignment and, going forward, we'll aim to identify which of our existing and future business activities could have the greatest positive contribution to the SDGs.

How the material issues shape our way forward

Our materiality assessment is a first step towards bringing our sustainability approach closer to our business strategy, with the long term ambition of having them fully integrated within our business strategy. Consequently, the outcomes of this materiality assessment will continuously inform our reporting practice (how we monitor, manage and report on progress), while significantly assisting us towards identifying our key impacts which will be the foundation of our sustainability strategy. To ensure that we remain in line with our business context and stakeholder expectations, we aspire to refresh our materiality assessment every three years.

Our materiality matrix assessment feeds into the following areas:

Reporting

We have structured the content of this sustainability report around our material issues, guided by GRI standards. This improves transparency and disclosure on the topics that are most relevant for us and our stakeholders.

Impact Assessment and Sustainability Strategy

The outcomes of materiality have informed our impact assessment, a few examples of which are included in this report. This assessment will help to better understand Santander UK impacts beyond profits and enable us to maximise our positive impacts. The impact assessment will inform our sustainability strategy which is focused on the material issues as this is where we have the greatest ability to make a positive impact in society.



"The materiality matrix will guide us on where to focus our efforts and resources to drive the highest positive impact."

Tina Boyle,
Head of Brand Strategy & Sustainability

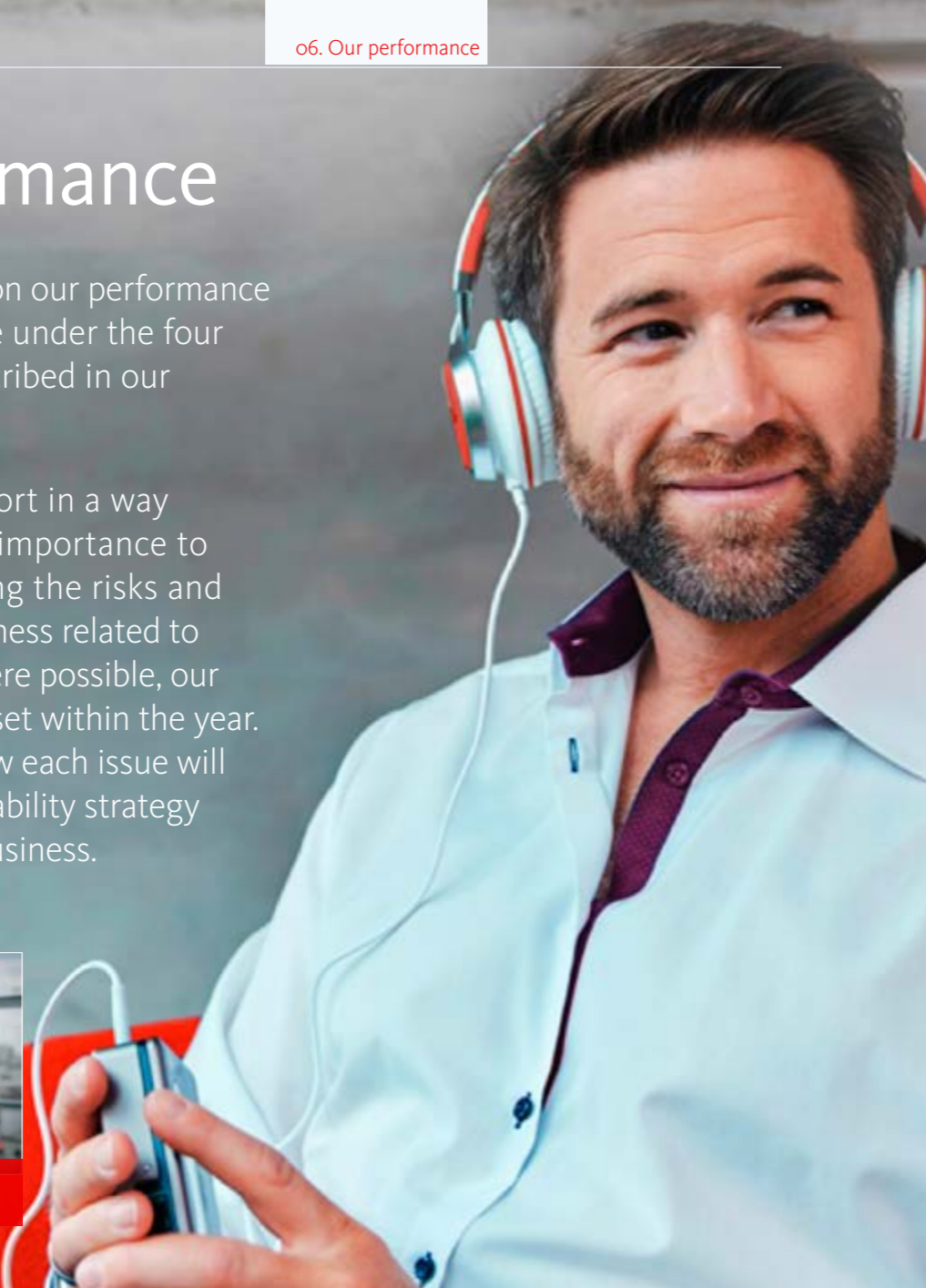
Our performance

In this section, we report on our performance across each material issue under the four macro classifications described in our materiality assessment.

We've structured our report in a way that reflects each issue's importance to our stakeholders, outlining the risks and opportunities for our business related to the specific issue and, where possible, our progress against the KPIs set within the year. We've also highlighted how each issue will inform our overall sustainability strategy and future plans for the business.



Click play to hear from John Collins, Chief Legal and Regulatory Officer.



Licence to operate	Internal impact	External impact	Trends
Business ethics and corporate culture	Employee development	Community support and development	Digitalisation
Financial crime	Workforce diversity and inclusion	Responsible investment and financing	Customer privacy and information
Human rights	Employee wellbeing	Customer satisfaction	Financial inclusion
	Employee compensation and benefits	Fair competition	The Environment (Climate change and Greenhouse gas emissions (GHG) renewables and alternatives)
	Employee engagement	Reputation	

Licence to operate

Ethics and integrity are at the heart of a prosperous business and society. It's not only a moral imperative, as corruption, bribery, modern slavery and financial crime have a substantial cost. They erode the value that our business creates and divert precious resources away from the socio-economic growth of our country. We're committed to upholding the highest standards on human rights, financial crime, business ethics and corporate culture to maintain and build public trust and to preserve our licence to operate.

Business ethics and corporate culture

Opportunity

A prosperous business and society is built on ethics. Businesses need to rebuild trust in society and honour their social contract by adhering to high standards of behaviour. Especially in financial services, an industry where public trust has been significantly challenged by the financial crisis, we are presented with the opportunity to leverage ethics and corporate culture as an enabler of value creation in the UK economy.

A values driven culture leads to a strong sense of purpose, a more engaged and loyal workforce and strengthens our reputation and brand.

Risk

We understand that failure to maintain high standards of integrity can erode trust between us and society, create instability in the market and damage the long term success of our business. There is a risk that our decisions and behaviours overlook the best interests of our customers and lead to unfair and inequitable outcomes while having a negative financial impact on our customers and ultimately our business.

“Ethics and a sound corporate culture are at the core of a thriving economy, society and business. We will not succeed as a business nor as a society if we don't embrace these values.” John Collins, Chief Legal and Regulatory Officer

We're committed to maintaining high ethical standards. We adhere to laws and regulations, conduct business in an ethical way, treating all stakeholders with honesty and integrity. We review each investment and lending proposal on its own merits, taking account of the potential impact on human rights and the environment. We also consider the ethics of supporting or partnering with particular organisations, governments and projects. Santander UK's Code of Ethical Conduct requires our people to meet the highest standards of business conduct.

Our culture of Simple, Personal and Fair, underpinned by our nine behaviours, enables us to embed a conduct strategy within the business where we place the fair treatment of customers at the heart of what we do. We always look to improve our processes and training to ensure this, integrating fair treatment into our product and service design reviews.

By making clear our commitment to the highest standards of ethics and business conduct it can help us strive for a culture free from corruption, risk of compromise or conflicts of interest and protects our reputation. This strengthens our business performance, credibility and relationships with stakeholders. In 2017, we further strengthened the connection between culture, conduct and customer outcomes by establishing the Board Responsible Banking Committee.

From Global Engagement Survey (GES):

94% of employees acknowledged their personal responsibility for risk management.

From Global Engagement Survey (GES):

97% of employees confirmed that they are aware of how to escalate and report potential risks.

Financial crime

Opportunity

Combating financial crime moves legitimate funds back to the UK economy and protects the prosperity of our business and stakeholders. Maintaining a strong commitment to combating financial crime strengthens our relationships with stakeholders and improves our reputation by delivering on our social contract obligations.

Risk

Financial crime risk includes money laundering, sanctions evasion, tax evasion, terrorist financing, bribery and corruption.

As a prudent and responsible bank we recognise that failure in this area could erode the prosperity of our customers, people and shareholders through financial loss. This also means there are increased funds available for criminal activity, with associated negative social impacts and additional costs to combat the criminal activity.

The scale and impact of financial crime has grown significantly in today's digital world and we recognise that geopolitical factors and new criminal methods can quickly change the associated risks. Estimates suggest that at least 2.7% of global GDP or US \$1.6 trillion of illicit financing moves through the financial system every year, with only 0.2% of those proceeds being seized by authorities, making the financial crime industry the largest and most profitable in the world.

As a bank which aspires to help people and businesses prosper, we're committed to fighting financial crime in all its forms and comply with applicable UK regulations. Towards this objective we have robust systems and controls, formal policies, a governance framework, training and intelligence and risk assessment capabilities, as well as our partnership with UK authorities, to support us in detecting and preventing financial crime.

The Board Responsible Banking Committee has oversight of all risks relating to financial crime. We have also established a Financial Crime Steering Committee to oversee progress in respect of the various financial crime initiatives. The CEO and CLRO (Chief Legal and Regulatory Officer) jointly chair the Steering Committee.

We continually assess our exposure to financial risk and its potential impact on our stakeholders and society in general. We use a number of different tools to support us:

- We conduct risk assessments of customers, sectors, jurisdictions and business units to assess our risk profile and to ensure we comply with all applicable sanctions regimes;
- We continually monitor, measure and report on financial crime risk to senior management; and
- Our Financial Intelligence Unit conducts assessments of particular types of threat, including drawing on information provided by and engaging closely with law enforcement and public authorities.

Our financial crime function is focused on predicting, detecting, preventing and, where possible, disrupting financial crime. We require all our business units to manage their activities in line with the principles and guidance in our financial crime risk framework. These requirements are set out in our financial crime policies and standards.

We adopt processes and procedures in line with UK and international laws and standards to mitigate financial crime risk. This approach includes risk assessments, customer due diligence and partnerships with public authorities. For example, we are an active participant in the Joint Money Laundering Intelligence Task Force (JMLIT), which supports public-private collaboration to tackle financial crime.

We provide robust training around financial crime, delivering six flagship training programmes in 2017. For example, our 'Know your Business' programme has empowered front-line colleagues across branch, telephony and digital to identify, assess, manage and report financial crime risks for both new and existing customers. Going forward, we aim to expand our training and create new courses to address business needs.

We're also raising consumer awareness of potential frauds and scams and how people can protect themselves through initiatives such as our Phish and Chips and Scam Avoidance School campaigns (see Customer privacy and information security section of the report)

Human rights

Opportunity

Respecting human rights is at the core of a prosperous business, economy and society. It creates societal value by promoting development opportunities, reducing reputational and business risks and improving employee engagement.

Risk

Companies who we work with are expected to have integrated human rights into their operations and supply chain. They must also proactively tackle human rights issues. This is now viewed as a common business standard of conduct and is key to maintaining the social contract we rely on to operate. Failing to protect human rights can erode human capital and lead to unrest and instability.

Respect and protection of human rights are the cornerstone of a prosperous society. Human rights are basic rights and freedoms that belong to every person in the world. We have a moral and ethical obligation to not only support governments and society in upholding human rights, but also lead by example through our operations. We cannot help people and businesses prosper without fostering respect for human rights through our business activities, which includes our processes, supply chain and who we finance. The Group Human Rights policy outlines our commitment in accordance with international standards, in particular the 2011 United Nations Guiding Principles on Business and Human Rights.

The greatest risk to our ability to uphold those standards lies predominantly in the supply chain. At Santander, we buy goods and services from over 1,600 external and intra-group companies accounting for £1.7 billion of costs in 2017. These relationships are governed by our Cost Management and Procurement Policy, Third Party Risk Management Policy and Conduct in Supplier Relationships Manual. The complexity and criticality of services provided by third-parties is a key operational risk, recognised by ourselves, our peers and the regulators. We also have a responsibility to ensure that our suppliers uphold the highest ethical standards so that we protect the collective social capital within communities. We will continue to assess the impact and effectiveness of these measures and continue to work with our stakeholders to prevent slavery and human trafficking in our workforce and supply chain.

We want to do business with like-minded companies who share our values and ambition to be a driver of prosperity and who therefore meet our risk and control standards as outlined in our Third Party Supplier Risk Framework. This framework is carefully controlled and managed in order to manage this risk. We monitor and manage our ongoing supplier relationships to ensure our standards and contracted service performance continue to be met. We uphold this commitment through our purpose of helping people and businesses prosper.

We continually review our supply chain management policies and processes to comply with the [2015 Modern Slavery Act requirements](#). We actively seek to prevent slavery and human trafficking in our workforce and supply chain. We've put in place a number of measures across the business to help drive this outcome. As an example, we now require our suppliers to comply with explicit requirements to respect human rights and adhere to ethical labour practices. We've also reviewed our pension arrangements to ensure that, where relevant, the fund managers comply with the Act. We'll review this annually to ensure continued compliance. We meet the Living Wage requirement for employees of suppliers who work at Santander UK sites, and our supplier contracts include specific requirements to respect human rights and ethical labour practice based on the principles of the UN Global Compact.

Our purpose is to help people and businesses prosper



Internal impact

Treating our people with respect, paying them fairly, investing in their development, looking after their wellbeing and keeping them motivated is central to our success as a business.

This success depends on our ability to attract and retain talent. We know that increasingly, talented people want to work for companies that act responsibly and are driven by a purpose that goes beyond profits. Likewise, at Santander UK, we want to attract people who uphold the highest ethical standards, who share our values and passion for helping people and businesses prosper.

Employee development

Opportunity

A multi-skilled workforce helps us develop our business model and adapt to changing customer needs, making it our most valuable asset. By investing in human capital through a forward looking approach we do not only upskill our people (which links to higher productivity and resilience), but we also contribute to bridging the skills gap.

Risk

Failure to provide employees with the right skills and experience will make us unfit to respond to the changes affecting both the banking industry and the wider economy. It may result in business underperformance and a violation of our social contract. We're responsible, along with other stakeholders, to contribute to the creation of the future skills that our business needs.

Our multifunctional Learning Team is dedicated to bringing our vision of developing the workforce of tomorrow.

We provide development programmes based on each role's needs and make sure all our employees are made aware through the relevant policies. We offer courses such as agile project management, behavioural workshops, presentation skills training, and customer-led design. We are also committed to flexible learning by offering programmes which can be undertaken at a time and pace to suit individual needs, all using the latest technology available. When training needs are more specific, for example in specialist roles, we offer an 'on demand' option in order for our employees to access training providers who offer more technical courses.

a more advanced digital leadership certificate. We also have a number of programmes in development that will focus on digital knowledge and what this means both for our people and business.

104,802
training days in 2017.

We continue to evolve our content and systems capability to increase our ability to provide in the moment 'performance support' learning to our colleagues. We'll be re-focusing our development agenda to ensure it fully aligns to the skills needed in the bank in the next 5 to 10 years, whilst providing great quality learning and development support to change and regulatory projects.

5.39
training days per employee.

£8.8m

invested in employee learning and development in 2017.

We provide a range of options to enable colleagues to be more aware of and understand the impacts of digital technology. Through our on demand training offering individuals have attended various programmes to support being able to operate in a digitally enabled environment. Additionally, our leadership programme gives access to both a digital awareness foundation and

Workforce diversity and inclusion

Opportunity

It's important to harness the social and human capital that a diverse workforce brings. A working environment that is inclusive and supports our people enables sound business decisions, inspires creativity and better business performance. Our inclusive culture, where all our employees are confident they can be who they are at work without feeling discriminated against, is fundamental to our success.

As we operate in a highly competitive industry where customer service and experience are at the top of the agenda, we need to ensure our people reflect the diversity of the communities, the customers we serve and the shareholders we have a responsibility towards. This will allow us to better serve their needs.

Risk

In a rapidly changing market, we need a wide range of knowledge, skills and experience. A lack of diversity can therefore limit business progression. Failure to promote income equality and an inclusive culture can mean losing talented employees, on top of other potentially wider implications for the state of the UK economy. Building a culture which safeguards and harnesses diversity is the best way to protect our human capital investment.

We believe that people are at their best when they can be themselves. At Santander UK we are committed to helping our people be authentic by being honest about what we need to do for all our people to prosper. We foster a culture that values and champions diversity, and creates equality of opportunity for all. We recognise the potential that all people bring to the workplace regardless of age, disability, gender, gender identity, marital or civil partnership status, parenthood, pregnancy, race, sexual orientation, religion or belief (or absence of). This is a commitment that starts at the very top of our organisation and flows through it and encompasses all stakeholders. It's a part of our leadership culture.

Our people are supported by our Diversity & Inclusion Forum which is chaired by the CEO and includes members of the Executive Committee alongside other staff.

We have embedded diversity and inclusion across our business through a number of initiatives, programmes and training. These include our employee-led diversity networks focused on women, LGBT+ (Lesbian, Gay, Bisexual, Transgender +), BAME (Black, Asian and Minority Ethnic), Disability, Parents and Carers and Mental Wellbeing – which are actively sponsored by an Executive Committee member.

Women in Business
Network

Embrace
Network

Ethnicity @Work
Network

Enable!
Network

Parents & Carers
Network

Mental wellbeing
Network

For more information on our networks see: www.santanderjobs.co.uk/diversity.

Fig. 5

“I am really proud to champion and co-lead the ‘Women in Business network’ to support our female colleagues to thrive.” Helen Berton, Co-Chair Women in Business Network Santander UK

Our Diversity and Inclusion strategy is underpinned by four pillars – Accountability & commitment; Awareness, education & training; Aligning talent and diversity; and Enhancing reputation & commercial advantage.

We are realistic about the challenges we face and the historical composition of financial services that we're seeking to evolve. We know there is more to do and we are committed to improving diversity and inclusion for all our people. We're committed to fulfilling our targets around increasing women in senior roles and closing the gender pay gap. As part of this commitment, we'll continue to monitor gender pay reporting analysis and address any gender profile imbalances within the organisation. Our gender pay gap now stands at 35.3%. While we're confident that we do not have equal pay issues, our gender pay gap shows that we have real work to do to increase the number of women in leadership roles. We're committed to overcoming this through transparency, understanding the root causes of issues and finding solutions that are both practical and beneficial to employees.

We are sponsoring Equal Lives, a new research project from Business in the Community (BITC), exploring the experiences and needs of men with caring responsibilities in the UK. The research will examine the relationship between men's involvement in the family and women's progression in the labour market, as well as impactful workplace interventions and policies.

Among the programmes that support our brand and reputation as an employer of choice for women is the Returnship Programme (which targets candidates who have been out of the workplace for two or more years) and our specialist leadership development programme for

high potential women (which has been expanded following year on year success). Both offer a level playing field for recruitment, development and flexible working options.

For more information see our 2017 Gender Pay Gap Report here: santanderjobs.co.uk/diversity

Our commitments include:

- 50% (+/-10%) gender target for senior female population over the next five years;
- Ensuring we have gender balanced interview panels during the process; and
- Having female candidates for every senior vacancy.



Accountability & commitment

Having executive sponsorship, across all strands of diversity to push forward the Diversity and Inclusion programme

Awareness, education & training

Engaging and educating colleagues through our Employee Networks and programmes/ training while regularly communicating with staff to see what they are happy or unhappy with about working at Santander.

We also use unconscious bias training and reverse mentoring to support leaders to make more informed decisions about attracting, recruiting, promoting and exciting their employees and how more diverse teams aid us to provide better service to our customers and clients. Our Executive Committee has already completed a reverse mentoring programme, and together with 680 leaders in the bank, have undertaken unconscious bias training.

We're proud to promote equality and inclusion through our partnerships including Business in the Community, Stonewall, Business Disability Forum, Employers Network for Equality and Inclusion and Working Families.

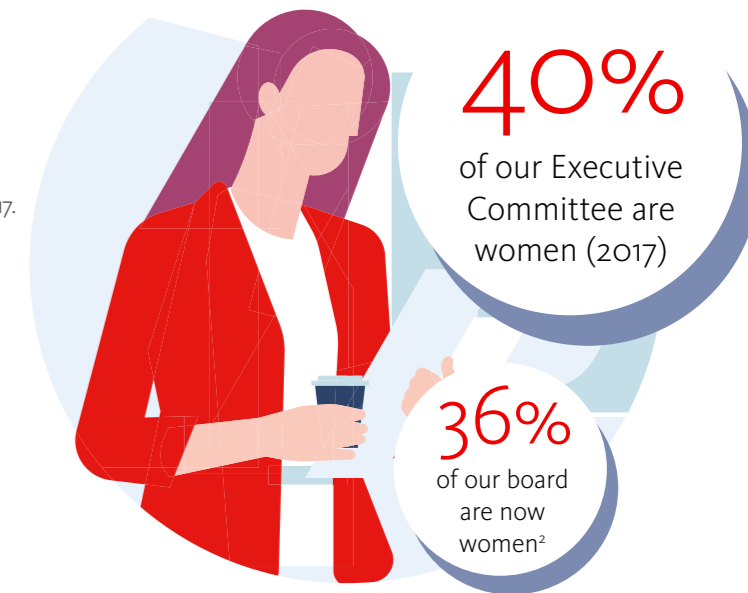
Diversity and Inclusion highlights

- The Times Top 50 Employer for Women.
- A signatory to the HM Treasury Women in Finance Charter.
- Susan Allen (sponsor of our LGBT network, Embrace) named 'Diversity Champion of the Year' at European Diversity Awards 2017.
- Recognised by BITC as one of the UK's Best Employers for Race.
- LGBT Friendly Financial Institution at the GNI MAG awards.
- Named 'One of the Top Employers for the UK and Europe' by The Top Employers Institute.
- Received 'Positive about Disabled People' accreditation.
- Employers Network for Equality and Inclusion (ENEI) equality gold standard.



Aligning talent & diversity

Identifying, progressing and retaining talent internally, with a current focus on female talent with enhanced programmes and policies.



Enhancing reputation & commercial advantage

Driving external brand recognition in an increasingly competitive market for diverse talent.



Click play to hear from Jessica Chu, Head of Diversity and Inclusion.

D&I Case Study: Tasmin's Story – a transgender journey

Living half a lifetime pretending to be someone you're not takes its toll. Like most transgender (trans) people, I knew from an early age that things weren't quite right. But growing up in the seventies, I quickly realised that sharing this would be met with opposition and I would be made to feel ashamed of myself. So I began a life where I kept my secret from everyone, not even family or my closest friends could ever know that these feelings existed. This double life continued until the summer of 2014, when a Santander colleague, Ryan, that I car-shared with decided to pay me a visit, unannounced.

Ryan's reaction as the first person to have met the 'real me' was a revelation. In spite of his obvious shock, he showed understanding; he wanted to know more. But most importantly, he remained my friend. Slowly, I started telling family and close friends. Their reactions were all the same; surprised but happy for me, and lots of support. I registered with my local gender clinic where we discussed my options. We agreed the best way forward would be to transition, to live my life as me all the time, which meant it was time to talk to my management team.

Working together, with support from HR, Health, Safety & Wellbeing, as well as the Embrace Network we drew up a transition plan, using the Government & Equalities Office Guide to the Recruitment and Retention of Transgender

Staff. The plan included using the Employee Assistance Programme, as the counselling offered through Lifeworks really helped me in coming to terms with my anxiety, particularly the prospect of transitioning in the workplace. We also drafted an email to colleagues, sent on my behalf, announcing my transition and giving them time to adjust, as well as inviting any questions they might have, which could be addressed either to me, my management team or HR.

The response from the email was overwhelming; so many messages of support and congratulations on being honest with myself. In spite of this I was still very apprehensive when the day arrived to come to work as myself. But my manager supported me and stayed by my side for the first week as I travelled to the various head office sites.

Once again my colleagues showed nothing but support and treated me no differently than before. And they gave me some lovely gifts: a bracelet and some word art, using the words from the emails I'd been sent. Throughout the whole process I have been very fortunate to have fantastic support and understanding from my management team, not only professionally, but on a personal level as well. The whole process of transitioning at work has been a relatively pleasant experience which I put down to a lot of planning, working with my management team and support from the business.

Employee wellbeing

Opportunity

Our employees are at the heart of everything we do. Their wellbeing is connected to the wellbeing of our business and the broader society. A safe and healthy workplace is fundamental to helping our people prosper and thrive. Investing in employees' physical and mental health and looking after their wellbeing supports their development and performance at work which contributes to our overall business success.

Risk

As the line between personal and professional life is becoming less distinct, employees are expecting an expanding range of benefits to support their physical, mental, financial and spiritual health. Further to absenteeism implications (e.g. time off costs for physical or mental health issues) inadequate support for employee wellbeing can lead to poor-performing individuals and teams that in turn hinders business performance.

At Santander UK through our wellbeing strategy, we encourage and support colleagues to proactively make positive changes to improve and maintain their wellbeing. Our strategy includes centrally monitoring key KPIs (for example sickness absence and global employee survey scores) maintaining a divisional focus through local people boards and establishing a strong network of divisional champions.

We provide practical advice, emergency support and training for both employees and managers. Managers are also given training and support to foster psychological wellbeing within their teams and to recognise where support may be needed. Over 2,000 managers have now been through our 'Positive About Mental Health' training and we continue to roll this out strategically throughout the business. We also offer free and confidential telephone advice 24/7, face-to-face counselling and critical incident support, with a special focus on assisting employees facing difficult circumstances. Santander Personal Support Services provides practical, emotional and in some cases, financial support for a broad range of lifestyle issues. We have signed up to the Mindful Employer Charter and Time to Change pledge to de-stigmatise mental health. We've contributed to a suicide prevention toolkit produced by Public Health England and also take part in the global Santander 'Be Healthy Week', designed to promote physical and mental health.

We recently launched our new Mental Wellbeing network and introduced two new pilot initiatives in 2017 – with Gympass and the Bank Workers Charity Feel Stress Free App.



Employee compensation and benefits

Opportunity

Ensuring employees are fairly rewarded is key to having a highly motivated and high performing workforce. This enables Santander to be competitive within the sector and attract the best talent which ultimately leads to a well-performing, innovative and dynamic business. It also supports the prosperity of people within the communities in which we operate, through taxes and spending, while improving our relationship with stakeholders and building on our employer brand. Compensation can also be leveraged to reward positive behaviours and drive strong ethical standards.

Risk

Compensation is an important part of our employment proposition and employer brand. Failure to reward our people fairly can strain employee relationships, erode the social contract or lead to a loss of talent. It can also lead to lower social mobility within our communities. The wrong set of incentives or compensation can also lead to poor ethical standards.

Our approach to employee compensation and benefits is in line with our purpose; to help people and business prosper. We offer a range of benefits that can be personalised to our people's individual needs, including extra holiday allowances, health benefits and a Bike4Work scheme. We encourage our people to participate in our pension and share ownership schemes that are fair, competitive and sustainable. In 2017, 92% of our people were in a company pension scheme, while 36% of colleagues participated in one or both of our HMRC-approved share save schemes.

We've been an accredited Living Wage employer since 2015. Salary levels are benchmarked against the median level for the industry and we regularly undertake a market review of our reward packages to ensure that our remuneration arrangements continue to support our business transformation.

We have a number of policies relating to compensation and benefits, all of which are available to all employees. We're also launching a financial education and wellbeing platform to support employees and provide education around broader financial issues.

We strengthen our approach to pay and benefits through solid Board level governance. The Board Remuneration Committee maintains oversight of, considers and approves policies and frameworks covering remuneration for all employees of Santander UK. The Policy and Remuneration Committee (PARC) is a Management Committee which oversees and monitors policies and frameworks that relate to HR across Santander UK. The PARC advises the Remuneration Committee on whether such policies and frameworks are fit for purpose and comply with UK regulatory requirements. Throughout our approach, we ensure compliance with the Prudential Regulation Authority (PRA) Remuneration Code.

We continue to review the end-to-end performance management process, remuneration practices and policies.

For more information see our 2017 Gender Pay Gap Report here: santanderjobs.co.uk/diversity

Employee engagement

Opportunity

We believe that a highly motivated and engaged workforce provides the best customer service and overall business performance. Investing in the right channels that facilitate an open communication with employees gives us the opportunity to engage in an open dialogue and strengthen our relationship with our people. This will help us make better decisions for our business and communities and will help us build strong and high-performing teams.

Risk

Human capital is a key resource for our business. Low levels of engagement can lead to a loss of talent and poor retention of employees with the right skills and experience. This may result in significant underperformance which could impact financial and operational business performance and growth. Ensuring that we're closely connected with our employees is key for us to respond to the needs of our people and customers.

Our focus on employee engagement is ongoing and its results feed continuous business improvements. 2017 saw our colleague engagement standing at 71% – broadly stable but importantly above the average of UK financial sector companies. We made improvements in key areas such as processes and resources, leadership, respect and recognition. Seventy-nine percent of our people responded to our Global Engagement survey, saying that they feel encouraged to come up with new or better ways of doing things.

Our vision and values continue to resonate with our people with 81% stating that the bank is meeting its Simple Personal Fair values.

We're investing in our leaders and helping them to engage with teams across the business through coffee and conversation events, leading by listening and leadership training programmes. As an organisation, we're increasingly seeing the use of agile project management as a tool to help us progress and smarter working to help introduce new, more flexible ways of working. In addition to the Global Engagement Survey we continue to monitor our progress through the Santander Way survey and sense check our people offering through Top Employers accreditation. We'll continue to build on our vision, values and behaviours, to ensure that they're embedded in every aspect of what we do.

Our Global Engagement Survey (GES) results presented a few key areas to focus on. Our people pointed to the importance of process simplification and the need to be kept in the loop with any changes. Also, transformation programmes and their potential internal and external impacts have understandably triggered feelings of uncertainty. Articulating a clear vision and purpose will be key for us to reduce these feelings during times of change. Finally, creating an environment where employees take accountability and feel confident and supported in speaking up will be a priority for the year ahead.

Sunday Times **Top 25**
Big Best Companies to work for.

90% of our people believe we act responsibly, making a positive contribution to society (with only 1% believing our contribution is negative).



External impact

Businesses' strategic choices have a variety of impacts that can create and erode value creation for our stakeholders. Understanding the external impacts of our business is important for us to be able to make the right decisions for our future and the communities that we serve and depend on. We're delivering long lasting, sustainable growth and positive socio-economic impact not only through our charitable giving and community programmes, but also through our business operations. Using our investments and lending to drive responsible and ethical business growth, promoting fair competition and investing in our communities are just some examples of our commitment to satisfy customers and community needs and strengthen our reputation as a purpose-led business.

Community support and development

Opportunity

The strong link that Santander UK has with the communities within which it operates provides the business with valuable insight on how to better respond to their needs, help them prosper and remain relevant in a competitive environment. It strengthens its reputation and provides a platform for employees to share and improve skills while increasing employee motivation and engagement.

Risk

A business that is disconnected from the communities in which it operates will not be able to promptly respond to its customer needs. A lack of a meaningful engagement with the community can lead to higher reputational risk and damage and ultimately cause a business to lose its licence to operate.

As a business which aspires to be a challenger bank and an enabler of prosperity in the UK, it's essential for us to start from the grassroots level by understanding the issues that are important and affect the communities in which we live and operate.

Our community support also goes beyond monetary contributions. We build personal relationships with communities through our people and this helps us build a better business with a better understanding of our customer's needs. Our people play a critical role by providing their time and expertise. When our colleagues volunteer in the community they share, but also gain

skills such as teamwork, leadership and resilience, while keeping their motivation and engagement levels high. Our volunteering schemes build on our company's core strengths and focus on areas where we can create significant impact.

Our community investment initiatives and partnerships take into consideration the needs of the community and our core business capability and skills. This helps us to strategically engage in projects and partnerships where we can have the greatest positive impact across skills, knowledge and innovation.

Our Discovery Project

The Discovery Project is our flagship community investment initiative that aims to help one million people by 2020. The programme supports skills, knowledge and innovation projects by helping people learn about the world and prepare them for the future. In 2017, we contributed £20.2 million to community groups and helped 281,673 people across the country.

We would not have done this without the support of our partners and the enthusiasm of our colleagues. We rely on the support of a group of valued partners who share their knowledge and expertise on skills and employment (Young Enterprise, Career Ready), education (National Citizen Service), financial inclusion (Money Advice Trust) and innovation (Crowdfunder) as well as the overwhelming efforts of our colleagues across the country who devote their time, enthusiasm and hard work to support community causes. We also gain valuable insights on our communities by being members of Business in the Community (BITC), the Institute of Business Ethics (IBE), the All Parliamentary CR Group (APCRG) and the Institute of Corporate Responsibility and Sustainability (ICRS).

Employee volunteering

As well as providing funds and promoting initiatives that support the aims of The Discovery Project, we encourage our people to share their skills and time by volunteering in their communities. The Discovery Days programme, for example, gives colleagues the opportunity to take part in team activities within their local community.

Colleagues spend a day helping local charities and community groups with practical support including gardening, decorating and refurbishing. In 2017, our colleagues helped to make a difference through 699 Discovery Day projects.

Our colleagues can also volunteer through our series of Wise Workshops:

- MoneyWise helps young people understand more about the world of money and gives them the skills to become good money managers;
- FutureWise aims to help children learn about the future and explore the role innovation plays in society, to give them the confidence to make the most of what tomorrow may bring;
- WorkWise aims to help prepare young people for the world of work by helping them produce a CV and provide hints and tips on how to apply for jobs and conduct themselves at interview; and
- Fraud & Scam workshops aim to raise awareness of fraud and scams and provide people with the skills on what to look out for and what to do if they become a victim.



Our charity partners

In 2016, our colleagues voted Age UK and Barnardo's as our Charity Partners. During this three year partnership, Age UK and Barnardo's have brought invaluable expertise and insight on pressing social issues. In 2017, our colleagues raised over £1 million, bringing the total funds raised since 2016 to over £2.2 million.

Our fundraising enables both charities to roll out new initiatives. Age UK have developed Ambitions for Later Life to support older people in gaining insight and knowledge to prepare for the future, while Barnardo's have rolled out the On Track programme to help disadvantaged youngsters improve their employment prospects.



Charity Partner case studies:

Barnardo's On Track project

Since 2016, Santander has partnered with Barnardo's to transform the lives of unemployed young people across the UK. Together, we established two On Track services in Basingstoke and Birmingham, helping young people to overcome drug and alcohol addiction, homelessness, debt problems and abusive relationships. We have equipped young people with the skills, confidence and ambition to find work and pursue a career.

On Track in numbers:

- 222 vulnerable young people supported since 2016;
- 100% of young people agreed or strongly agreed that Barnardo's On Track service has made them feel more confident about getting a job; and
- At least £1.2 million of Social Return on Investment to date (2.4:1).

Success story: Sophia

Sophia was referred to On Track for serious drug abuse and with an ongoing suicide risk. It was believed that Sophia would struggle to engage in her local college, and needed support to make a successful transition.

An On Track representative met Sophia and discussed the support the programme could provide. Sophia engaged really well and attended the On Track summer project. After this, with some support from her progression coach, she came round to the idea of college.

Sophia's progress has been substantial given her background, with 90% attendance. Her drug dependency has dropped significantly, and Sophia is now feeling like things are going well and her home life has vastly improved as well.

Age UK Ambitions for later life

The over-60s is the fastest-growing group in society and by 2030 the UK's older population is expected rise to over 20 million.

Ambitions for Later Life supports older people through the challenges that can come with ageing. From retiring to finding support to deal with a bereavement, the programme provides one-to-one, holistic sessions across the country. Age UK not only help individuals to identify all the things that could help them live well today, but they work with them to look ahead and focus on their ambitions.

Key findings from the first year:

- 2,159 older people supported.
- Around £2.7 million identified in unclaimed benefits.
- 92% 'very satisfied with service'.

Success story: Harold, Age UK Gateshead

Harold looks after his wife Joan, who's sadly been left severely disabled after suffering a stroke. The couple both struggle with mobility issues and the recent decline in Joan's health has left them both virtually housebound, and increasingly isolated and unhappy.

An Ambitions for Later Life adviser visited Harold and Joan to see how they could improve their situation.

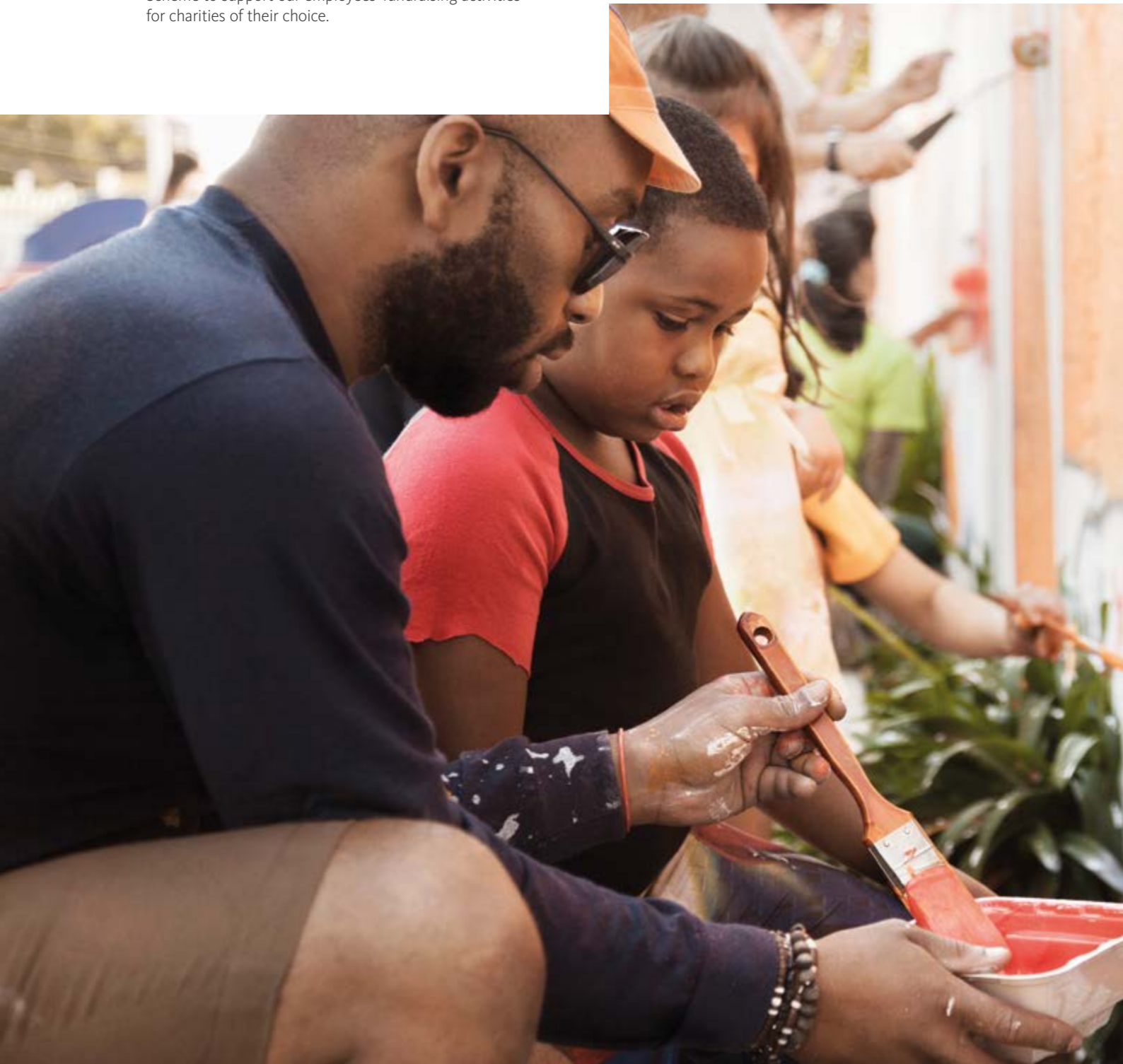
In just one session they helped the couple to request a reassessment of their social care package, which has provided Harold with some respite as Joan's main carer. They also provided a benefits check and helped them to successfully apply for Pension Credit and an increased Disability Allowance.

The Santander Foundation

Social impact is not only a result of large-scale partnerships, a small charitable grant can also make a significant difference for small, local charities across our local communities in the UK. The Santander Foundation provides grants (up to £5,000) to support knowledge, skills and innovation to give disadvantaged people the confidence to discover and create a new world of opportunities. In 2017, the Santander Foundation provided over £3.1 million in grants to over 700 organisations for projects that help disadvantaged people. Discovery Grants are available to registered UK charities, community interest companies or credit unions who support activities that improve skills, knowledge or support social innovation.

The Santander Foundation also contributed over £2.3 million through the colleague Matched Donation Scheme to support our employees' fundraising activities for charities of their choice.

£2.3m+
donated
through the colleague Matched
Donation Scheme to support our
employees' fundraising activities
for charities of their choice.



Santander Universities

Santander Universities is our global programme to support and advance education. Since 2002, Banco Santander has donated over €1.5 billion to universities across the globe, making us one of the largest global corporate contributors to education.³

In the UK we've donated over £69 million to 83 UK partner universities in the last ten years. In 2017, we directly supported over 13,000 students, graduates and university staff through initiatives focusing on education, employability and entrepreneurship. With our partner universities we fund internships for students and graduates in SMEs across the UK, last year supporting 1,407 internships and 80 work placements.

We also run the Santander Universities Entrepreneurship Awards, one of the UK's largest student and graduate business pitching competitions. In 2017, we included a three day programme to provide 18 of the best start-ups with over 20 masterclasses from experts and business leaders.

Our £1 million Enterprise and Entrepreneurship Fund supports university-led projects across the UK. This helps students start, run or scale a business or universities to champion the development of entrepreneurial skills, cultures and mindsets.

In 2017, we launched an innovative cycle hire scheme competition for 23 partner universities, offering the chance to win funding from Santander to implement their own cycle schemes on campus.

Through the Universities programme we're building on Santander UK's purpose to help people and businesses prosper. Vision 2020 is our strategy to help achieve this purpose over the next three years. By 2020, our aim is to be synonymous with providing impactful, diverse and inclusive support to higher education, driving a legacy of sustainability through a focus on education, entrepreneurship and employability. This will help us achieve our goal of providing life changing opportunities to more people over the next three years than we have in the previous ten.



“The contacts and funding I will receive from winning is truly life changing for my business”

Jenny Evans from Jenny Evans Designs. 2017 Entrepreneurship Award Winner.



³ According to a 2015 report by the Varkey Foundation and UNESCO.

Responsible investment and financing

Opportunity

Responsible investment and financing presents a unique opportunity to unlock the power of finance. We can create positive impacts and shared value while strengthening our relationship with communities.

Risk

As a financial institution handling large amounts of money we have an obligation to ensure that financing goes to the right sources and benefits society while creating sustainable returns. Neglecting this responsibility can cause harm to the financial health of our business and the UK economy and damage our reputation and licence to operate.

“SMEs are at the heart of our country’s economy and communities. We are committed to helping businesses prosper and Breakthrough is one of the ways we make a difference”

Sue Douthwaite, Managing Director, Santander Business

We’re committed to directing finance towards the right channels so that we create social and environmental impact. We’re conscious that failing to invest responsibly can impact our financial performance and our reputation. Working on strengthening our relationship with communities and fostering positive social impact means spending with, financing and supporting SMEs and social enterprises through each stage of growth. This is a business and moral imperative and at the core of creating long-lasting prosperity for our stakeholders.

Small and medium sized businesses are a vital part of the economic fabric, representing 99% of all businesses in the UK, we therefore recognise the importance of helping them prosper. In 2017, we awarded 104 new SME supplier contracts with a total value of £7 million. Examples of SMEs we work with include Clarity Soap co, a social enterprise that provides us with quality soap and toiletries made by people with disabilities, and Income Max, a community interest company that supports low income families make the most of their money.



Breakthrough: Helping businesses prosper

We’re passionate about helping ambitious businesses succeed. Building long-lasting relationships with SMEs runs deep in our heritage. We’ve come to know and understand the needs of our customers, which has helped us to appreciate the challenges they face and the support they need to overcome them.

Santander Breakthrough helps such businesses grow and prosper through a range of activities focused on talent, connections, knowledge, finance and international growth. In 2017, 6,270 businesses engaged in Breakthrough activities.

Our Breakthrough Connection events provide an opportunity for peer-to-peer networking and to learn from other successful entrepreneurs:

- In 2017, over 3,290 businesses attended our Breakthrough in Branch events, which connect business owners to their local business community across the UK.
- We’re proud to support female entrepreneurs through our Women in Business mentoring scheme and by engaging with partners such as Blooming Founders and our sponsorship of The Precious Awards.
- Our Liverpool city incubator helps steer start-up founders in the right direction, providing a workshop programme, informal mentoring and a network of like-minded businesses, all of which help get a business through those first challenging years. During 2017, this provided tailored support to 34 businesses.

This year, we organised a wide range of knowledge masterclasses and workshops with some of the UK’s most innovative companies including McLaren, Microsoft and ApplInstitute – 400 businesses have benefited from practical solutions to grow their business.

We connected more than 1,600 SMEs to the Santander Universities Internship Programme, thus ensuring access to a new generation of talent from one of more than 80 partner universities.

Success story: RentalStep

RentalStep was founded in 2016 with the aim of making the renting process better for both tenants and landlords. The business joined Santander’s incubator at the start of 2017, where office space and day-to-day business support were provided to help give the company a strong foothold within the ‘proptech’ market. The business has also benefited from our co-funded internship scheme, enabling them to bring essential social media skills into the business.

RentalStep, a Liverpool-based rental platform helping tenants to boost their credit score, was one of six winners in the first round of the HM Treasury’s Rent Recognition Challenge. The firm, a client of Santander Business Banking and an early participant in Santander’s Liverpool-based business incubator programme, won a £100,000 grant and the opportunity to bid for further funding from the remaining £1.4 million prize pot.



“We’ve invested heavily into developing the platform over the past 12 months so being able to access a funded intern has been a huge bonus to the business at this critical stage. The University of Liverpool helped us find a candidate with the right skills and experience, but also someone who believed in the ethos and aims of the company”.

Mike Georgeson, RentalStep CEO.

Mike Georgeson, RentalStep CEO, said: “The past two years have been an incredible journey for me and the wider team, and the support from Santander and the incubator in Liverpool has been invaluable. Our service is already helping tenants boost their credit score by securing a record of their rental payments and this award is a testament to our business model and aspiration for continued growth.”

Beyond everyday banking, we helped businesses achieve their global ambitions with 246 companies benefiting from 28 overseas and virtual trade missions. Helping SMEs to export is a core priority for Santander. We regularly help businesses achieve their international ambitions by regularly and proactively taking UK firms out to markets to meet buyers and network with key stakeholders in countries such as the United States, Spain, China, and the United Arab Emirates, among others.

“We see the internships as an extended interview, a chance for us to really see the qualities the graduates provide and how they can fit into our business.”

Founders of Invirt Reality, Chris Jones and Mark Lewis who benefited from a Santander subsidised intern

Success story: Naturya

One particular trade mission to Spain focused on the growing demand for high-quality UK food products in Spain and the significant opportunities available to firms focused on the fast-growth organic and gluten-free sector.

Claudio Stein, International Sales at Naturya said: “The Meet the Buyer Mission exceeded my highest expectations. I met high quality buyers and distributors and had very relevant conversations with them. It would have taken me at least two years to achieve the same results. The event also allowed me to have a much better understanding of the market which will definitely help Naturya make the best possible choices for the Spanish market.”

Some of our customers have the potential for significant growth and require capital as well as non-financial support. In 2017, our Growth Capital Team provided £31.2 million of growth capital and £152.7 million of senior debt to 50 companies.

Over 3,290 businesses attended our Breakthrough in Branch events (2017).

>£500 million of lending to SMEs since 2012 through the Growth Capital Team.

Success story: Hallmark Sheet Metal Ltd

Stoke's Hallmark Sheet Metal Ltd, a leading manufacturer of hi-spec sheet metal products, completed a successful management buy-out (MBO) following combined £2m funding from Santander Business Banking and UK Steel Enterprise (UKSE). Formed originally in 1996, the management team at Hallmark Sheet Metal has in excess of 78 years of combined engineering experience.

Its technical offering and reputation for service delivery has enabled the business to embed itself with a number of Original Equipment Manufacturers within a broad range of sectors including cable management, military, electronics and consumer goods.

The £1.5 million funding from Santander Business Banking contains a mixture of Growth Capital and a commercial mortgage, which has allowed the management team at Hallmark Sheet Metal to conduct a buy-out as well as invest for growth.

John Kennedy, Operations Director, Hallmark Sheet Metal Ltd, said: “There are significant opportunities across a number of sectors and we'll look to capitalise on these going forward. The funding and support from Santander has been invaluable throughout the MBO process and we look forward to working with them further”.

6,270 businesses engaged in Breakthrough activities (2017).

Our Growth Capital Team provided £31.2 million of growth capital and £152.7 million of senior debt to 50 companies (2017).



Customer satisfaction

Opportunity

Listening to customers and meeting or exceeding their expectations is important so we can better respond to their needs, innovate and provide meaningful and relevant products and services.

We believe that a satisfied customer base is key to the long-term sustainability of our business and is at the heart of our plans to help people and business prosper.

Risk

Customer expectations are continually evolving and failing to meet these can erode our loyal customer base and impact our customer relationships. Also, there is risk of eroding the quality and relevance of feedback and engagement we receive, thus not allowing us to effectively keep in touch with future customer and social priorities. Reasons for this can span from quality of service to lack of trust for the bank's operating model and practices.

Customer satisfaction is a reflection of our business effectiveness and an ongoing driver of improvement across processes, skills and delivery of our purpose.

We operate in a challenging, fast paced industry. As the world around us changes at pace, we need to adapt and evolve so we can anticipate and exceed our customers' needs. Being prepared to change the way we work and the way we deliver is a necessity for our customers.

To address these challenges, we identified three key areas of focus; our infrastructure, our operating model and the continued development of our people's skillset. This is key to being a bank that has the customer at the heart of everything we do.

Our teams manage customer expectations by combining strategic, operational and digital expertise. We aim to deliver a smooth customer journey, now and in the future, with the delivery of new products and services to help meet evolving customer needs. We've committed to excellence across all of our customer interactions and across our physical and digital channels.

Retail Customer Satisfaction (FRS)⁴

63%

In 2017, we continued to improve our business banking services for smaller SME customers. We streamlined our portfolio to increase capacity and improve client support. We also introduced a fast-track asset finance process and a simplified credit application to facilitate quicker lending decisions for smaller exposures. See more on our corporate customers in our [Strategic Report 2017](#).

24,000

First-time home buyers helped in 2017.

⁴ The Financial Research Survey (FRS) is a monthly personal finance survey of around 5,000 consumers prepared by the independent market research agency, GfK. The 'retail customer satisfaction' score refers to the proportion of extremely and very satisfied customers across mortgages, savings, main current accounts, home insurance, UPLs and credit cards, based on a weighting of those products calculated to reflect the average product distribution across Santander UK and competitor brands. The competitor set used to calculate the product weights is Barclays, Halifax, HSBC, Lloyds Bank, Nationwide and NatWest. The competitor set included for the ranking and highest performing peers is Barclays, Halifax, HSBC, Lloyds Bank and NatWest.

Fair competition

Opportunity

Through healthy and fair competition we can encourage innovation that enables businesses to grow and consumers to receive the best products and services. By truly allowing all businesses within the market to flourish, we can contribute to a prosperous society. We believe that it is in the interests of our customers, and of all with whom we deal, to compete fairly in markets and that this is vital to the success and reputation of our organisation.

Risk

As competitors enter the marketplace it is important to maintain standards on anti-competitive and anti-collusive behaviour. Conduct risk can result from activities that could lead to unfair outcomes for customers or negatively impact market stability. Lack of competition can lead to a lack of trust and transparency within the market for consumers in addition to unfair outcomes for customers. Failing to comply with relevant competition law or being involved in any competition law investigation or proceedings could result in financial harm, criminal liability, customer harm or reputational damage.

Fair competition will ensure that consumers receive the best products and services while businesses are fairly rewarded. We have a responsibility to our people, customers, communities and shareholders in how we behave within the market and wider society. Our commitment to this is maintained through our values of simple, personal and fair that are embedded throughout our organisation.

Competition law is designed to protect consumer welfare by prohibiting certain agreements, practices and conduct that prevent, distort or restrict competition. Protecting and fostering a culture of competition will benefit consumers by leading to lower prices, increased innovation, better products and more consumer choice.

We're committed to competing fairly in all our business dealings. As such, we have classified competition law as an element of Conduct Risk. We have a zero tolerance approach to cartels and promote a culture of awareness and compliance around competition law. Colleagues, including senior management, undertake regular competition law training and we have 'Competition Law Champions' throughout the business, ensuring that our policy is brought to life.

We have regular contact with the FCA with respect to industry reviews, competition studies and other requests. Our legal and regulatory team supports a wide range of deliverables, provide oversight across key operational areas, and undertake additional assurance testing. We encourage all our people to take personal responsibility for managing risk through our I AM Risk programme.



Reputation

A number of the issues outlined in this report impact our business, through our people, shareholders, community and customers. This in turn impacts both our brand and reputation, an important factor in our ability to operate successfully as a purpose-led business. We aim to deliver a positive impact in everything we do, in order to achieve our purpose of helping people and businesses prosper. By managing our economic, social and environmental impacts, we build a business that benefits our stakeholders, creating a positive reputation for us within society that contributes to our ongoing success.

Trends

We operate in a constantly changing world where new technologies, shifting demographics and climate change are requiring us to reshape the way we operate. We have identified four key trends that we need to address to respond to these changes: digitalisation, customer privacy and information security, financial inclusion and the environment (including climate change, greenhouse gas emissions and renewables and alternatives). These trends pose both opportunities and threats to the prosperity of our people, customers, shareholders and communities. We're committed to addressing them and leveraging them to future-proof our business.

Digitalisation

Opportunity

Digitalisation presents an array of opportunities to improve our operational efficiency while delivering on our purpose of making people and business prosper.

Customer expectations and behaviours are evolving as new technologies are more widely adopted and the UK's demographic profile changes. Digitalisation can help us improve customer experience and provide a seamless omni-channel experience to meet their expectations. New technologies can enable us to become more agile and efficient, helping us reach more customers and provide more affordable products and services.

Supporting communities in attaining digital literacy strengthens our reputation and helps communities prosper through financial inclusion and access to innovative products and services to serve their needs.

Risk

If we don't keep pace with technological advances there is a risk that we'll not be able to provide customers with the best products and services, resulting in a loss of competitive advantage.

Our business will be exposed to a substantial skills gap unless we up-skill our people, encourage flexibility and create an agile mindset which will become the norm of a modern workplace.

There is also a risk that certain customer groups who are not ready for the digital transition may be marginalised. This could reduce our customer base and harm our reputation.

Digitalisation is fundamentally changing the way the financial services sector operates. Unlocking the potential positive impact that digitalisation can have is key to delivering on our purpose of making people and businesses prosper. Our digital transformation remains a priority, and is crucial to delivering the standards of service our customers rightly expect. In 2017, we gained an average of 1,400 new mobile app users every day and reached an important landmark in providing our first end-to-end digital mortgage. In 2017, 47% of mortgages were retained online and 38% of current account openings were made through digital channels.



Helping our customers prosper in a digital age

Our investment in technology has given our customers the choice of how, when and where they can access and manage their money, be that through our branch network, telephone or digital channels.

As customers demand more online services, the role of the physical bank branch is changing. In order to be able to serve all customers in communities, we continue to invest in our network of 806 branches, with almost 500 refurbished so far. This includes new layouts, services and technology to serve our customers better. In addition, we launched a new branch locator tool with an enhanced mobile experience to give our customers easy access to branch information. We're also a signatory to the Access to Banking Standard which ensures open and fair communication where banks decide to close branches.

We were the first bank to launch Talking ATMs across our entire UK branch network. This gives audible guidance

to customers to help them use our ATMs, either with or without the use of the screen. We also work closely with the Digital Accessibility Centre and adapting our technology to the needs of customers with physical disabilities is a key part of our design and testing stages. For example, the use of voice activation to navigate online services improves access for people with visual impairments.

We also make sure that colours in our digital interfaces are accessible for our users by choosing colour combinations and font sizes carefully to accommodate people with low vision. We've also tweaked the shade of our core brand colour to improve contrast. Finally, the use of fingerprints and Face ID (iOS only), to access our mobile banking app removes the need to remember passwords.

Our ongoing collaboration with FinTech companies through open IT architecture will allow us to bring greater personalisation to our services, anticipating our customers' needs, and providing a frictionless experience.

Helping our customers prosper in a digital age (continued)

Below are some examples of projects and initiatives, designed with an eye on improving customer experience and accessibility.

1

NeoCRM

NeoCRM is our new customer relationship management tool and a key enabler of our ambition to deliver a seamless omni-channel approach by providing greater transparency for our people to better serve customers. This approach allows our customers to engage with us in the branch, on the telephone or via digital channels and to pick up the conversation where they left off, through a different channel if they choose. Colleagues from across the bank collaborate to develop, improve and enhance NeoCRM on an ongoing basis. Feedback from our customer-facing colleagues has been a key driver of innovations.

2

Online mortgage platform

Through our online mortgage platform we provide better accessibility of services to our customers, enabling them to make more informed choices about their finances. Our Mortgage Chatbot provides immediate answers to frequent, generic questions for our existing mortgage customers when choosing a new deal. From launch to the end of 2017, we responded to more than 10,000 questions from 6,000 users. A new Mortgage Video Service allows customers better and real-time access to mortgage advice via video from either 60 video-enabled branches or from their home using their own device. The service has received extremely positive feedback, with an overall customer recommendation rating of 9 out of 10.

3

Santander Mobile Banking app

We continue to improve and add functionality to our Santander Mobile Banking app, which leverages technology to enhance customer experience. This allows customers greater accessibility to manage their finances in the way that suits them best.

4

One Pay FX

Our new service (launched in 2018), Santander One Pay FX, uses blockchain technology to help customers transfer money abroad in a fast and easy way. The blockchain-based international payments service will be available to retail customers in multiple countries simultaneously, providing an enhanced customer experience and more efficient process using the latest technological advances.

We also place a high priority on technology risk management, especially cyber security, in order to protect our customers and help them prosper. For more information, see the section below on customer privacy and information.

Customer privacy and information security

Opportunity

Protecting their data and giving them tools to control what happens to that data is the very minimum expected by our customers. Successful management of customer data and information boosts customer loyalty and the business perception as a driver of positive change in society. Effectively managing customer data enables us to provide better products and services that are relevant, timely and personalised for each customer.

Risk

Customer loyalty is highly dependent on trust, especially in a context where customers are expected to endorse new digital platforms which require more information being shared online. Cyber-crime can mean financial loss for individuals, loss of intellectual property and confidential information for businesses and increased costs to secure data and can therefore substantially harm our business.

Cyber-attacks can cause reputational damage and a loss of trust, whilst also causing psychological impacts for those who incur financial losses, harming their prosperity. Contributing to the national and global fight against cybercrime also helps reduce the social and economic costs for governments and communities.



In 2017 our Phish and Chips anti-fraud campaign saw us engage with customers around the country on how to recognise phishing and SmiShing attempts by scammers. Our campaign van visited nine major cities across the UK. Colleagues from our fraud and branch teams helped hand out fish and chips to 3,500 people, speaking to each one individually about scams. Meanwhile, more than 63,000 people visited the online quiz that supported the campaign and the initiative was covered by 93 media outlets. We will run further campaigns in 2018 to help our customers avoid becoming victims of fraud.

We are also protecting our customer's data through implementing new legislation such as General Data Protection Regulation (GDPR), which will give people the confidence to allow the bank to use information so that they can decide on the best products as well as support them.

New legislation affecting customer data:

- GDPR
- Data protection bill
- E-privacy regulations
- Open-banking
- PSD2 (Payment Services Directive)

Responsible use of customer data enables more relevant and timely products and services for customers. We make it easier for customers to make an informed decision and exercise their preferences when it comes to use of their data, through data protection statements to understand what data we hold and how it will be managed. We will continue being transparent going forward and help customers to prosper by putting privacy at the heart of what we do.

“We are committed to protecting the privacy and information of our customers and we are part of the industry-wide effort to combat fraud.”

Alison Webdale, Legal and Regulatory Director

Cyber-crime can harm the prosperity of our people, customers, shareholders and communities. We are responsible for the financial data and information that our customers trust us with and we make every effort to protect them. We are taking all reasonable steps to stay well-prepared to meet developing cyber threats, supported by global expertise from the Santander Group.

In 2017, we saw a rapid increase in cyber-attacks against global institutions. Businesses face a growing threat from ransomware, data breaches and weaknesses in the supply chain, putting customer trust and loyalty at risk, while also threatening their ability to prosper.

We operate a layered defence approach to cyber risk, focused on identifying, detecting, preventing, responding to and recovering from cyber-attacks, including simulation tests. We have continued our investment in our detection capabilities against malicious activity and building a Cyber Defence Centre, to protect both our customers and our shareholders.

We also help our customers stay safe online through a range of internal and industry-wide initiatives. As more of our customers interact with us online and we prepare for the positive changes that Open Banking will bring, we're also working to combat fraud and constantly update our fraud detection capabilities. Together with large parts of the sector, we have responded to these challenges by working collaboratively with each other and closely with law enforcement and Government authorities through initiatives such as the Joint Fraud Taskforce and organisations like the National Cyber Security Centre. These efforts serve as a good example of how the public and private sector can work effectively together in the national interest.

Financial inclusion

Opportunity

Inclusive financial services business models create commercial benefits by opening up to new customer groups or expanding the existing ones. They empower communities to enjoy the benefits of financial services enabling people to invest in their future and creating a thriving economy where our communities and business can succeed.

We are committed to helping our customers at the moments that matter most, including those times when people may be vulnerable due to illness, bereavement or economic circumstances. We're focusing on understanding the personal needs of our customers by continually learning and working to provide the right support and solutions to help them prosper.

We engage with industry working groups and external organisations and partners to fully understand the range and extent of vulnerability within the UK. Through our extensive colleague training and escalation mechanisms we look to recognise and understand potentially vulnerable situations, to provide an appropriate and empathetic response, and support our customers to ensure no detriment is experienced or exacerbated.

We have dedicated training modules for all staff as part of our mandatory Santander Way training. All front-line and customer-facing colleagues are also provided with additional training to help recognise and understand issues which might impact customers. To support customers who are dealing with or potentially facing vulnerable situations we have a number of specialist teams within Santander that assist customers in regaining control of their finances, with solutions tailored to their individual circumstances. Centrally we have a dedicated Vulnerable Customer Team, who collaborate with teams across the bank to agree our approach and overarching vulnerable customer policy. The consideration of vulnerable customers has been part of our product approval process for over a year.

In keeping with our omni-channel approach to best serve customers, we also have a dedicated telephone based Financial Support Team. The team are trained to identify the reason for the financial stress and provide a range of solutions and opportunities for customers to better manage their finances and, where appropriate, can refer customers to third parties such as StepChange.

We also have a number of staff led initiatives to help educate the local community groups such as our MoneyWise workshops.

Risk

As a major high street bank, we have a responsibility to serve all of society. Excluding any customer group can lead to a customer base that does not reflect or represent the true society and communities we want to serve, brand damage, loss of trust and an inability to fully benefit from the financial services we offer. Financial inclusion is key to reducing inequalities and increasing prosperity of low-income and under-banked communities.

In 2018 we plan to keep a sustained bank-wide focus on supporting vulnerable customers. This will include our collaboration with other banks, through UK Finance, on both the Financial Abuse and Mental Capacity Working Groups, to look to establishing principles in how we support customers in these areas. We plan to expand our Specialist Support Team, which has been piloted in 2017, to be available to all branch colleagues, to provide the support for colleagues dealing with customers who are experiencing either unique and complex circumstances, where additional or specialist help is needed.

“Vulnerable customer training for our colleagues is absolutely essential to give us all the insight and confidence to give our customers the best possible service during any situation they are experiencing. To be educated in this area gives us the tools to identify ways to protect and support our customers which can only build more trust with our customers and communities. The trust we gain will then bring loyalty and strength to our business.”

Tracy Harris, Branch Manager

The environment: Climate change, GHG emissions and financing in renewables and alternatives

Opportunity

Financial institutions have a vital role in facilitating the transition to a low carbon economy, supporting the government and business in providing the financing needed to meet the UK's carbon reduction targets.

As the demand for low carbon industries increases (e.g. renewables, sustainable transport, infrastructure, waste and water) we can facilitate capital flows to these sectors, bringing long-term financial gain for Santander, diversifying and future proofing our investment portfolio which will have benefits for wider society. In addition, providing this finance strengthens our relationship with regulators and other stakeholders who are increasingly interested in the impact of climate change and the potential risks to financial stability.

Running our business in an efficient and sustainable way through managing our use of natural resources and overall environmental footprint creates opportunities for cost efficiencies and methods of driving employee engagement.

The signing of the Paris Agreement in December 2015, and the speed at which it was ratified, signals a step change in the way governments are addressing climate change. As national policies are put in place to accelerate the transition to a low carbon economy, companies and their leaders will find themselves at the heart of this change.

Being an integral part of civil society requires a genuine and impactful approach to tackling the effects of climate change. Developing a solid understanding of the effects that climate change has on our business and most importantly, how these effects will evolve to create social impact (positive or negative) is a task we cannot overlook as an enabler of prosperity in the UK socio-economic context. Businesses need to be prepared to respond to emerging risks and opportunities generated by physical climate change and market and regulatory developments.

At Santander UK, we aim to deliver a long-term, sustainable return for our shareholders while taking account of the impact of our business on the environment. We provide sustainable finance in the form of renewable energy financing for low carbon technologies to contribute to a low carbon economy. And, by managing our environmental impacts and supply chain, we benefit from improved efficiencies, effectively manage risk and ultimately protect our reputation.

Risk

The transition to a low carbon economy will have financial implications for carbon intensive industries and those exposed to climate policy, creating credit risks for those who invest in them. Carbon taxes may be implemented by policy makers delivering on national commitments made in the Paris Agreement impacting costs and revenues for carbon intensive industries.

The physical risk of climate impacts, such as extreme weather events, can also affect a company's financial viability in various ways including decreasing asset values and disrupting business continuity. For example, mortgage portfolios may be exposed to hazards made worse by climate change such as floods, rising sea levels, storm surges and coastal erosion.

There is also a reputational risk, tied to changing customer or community perceptions of an organisation's contribution to or detraction from the transition to a lower-carbon economy.

Green financing

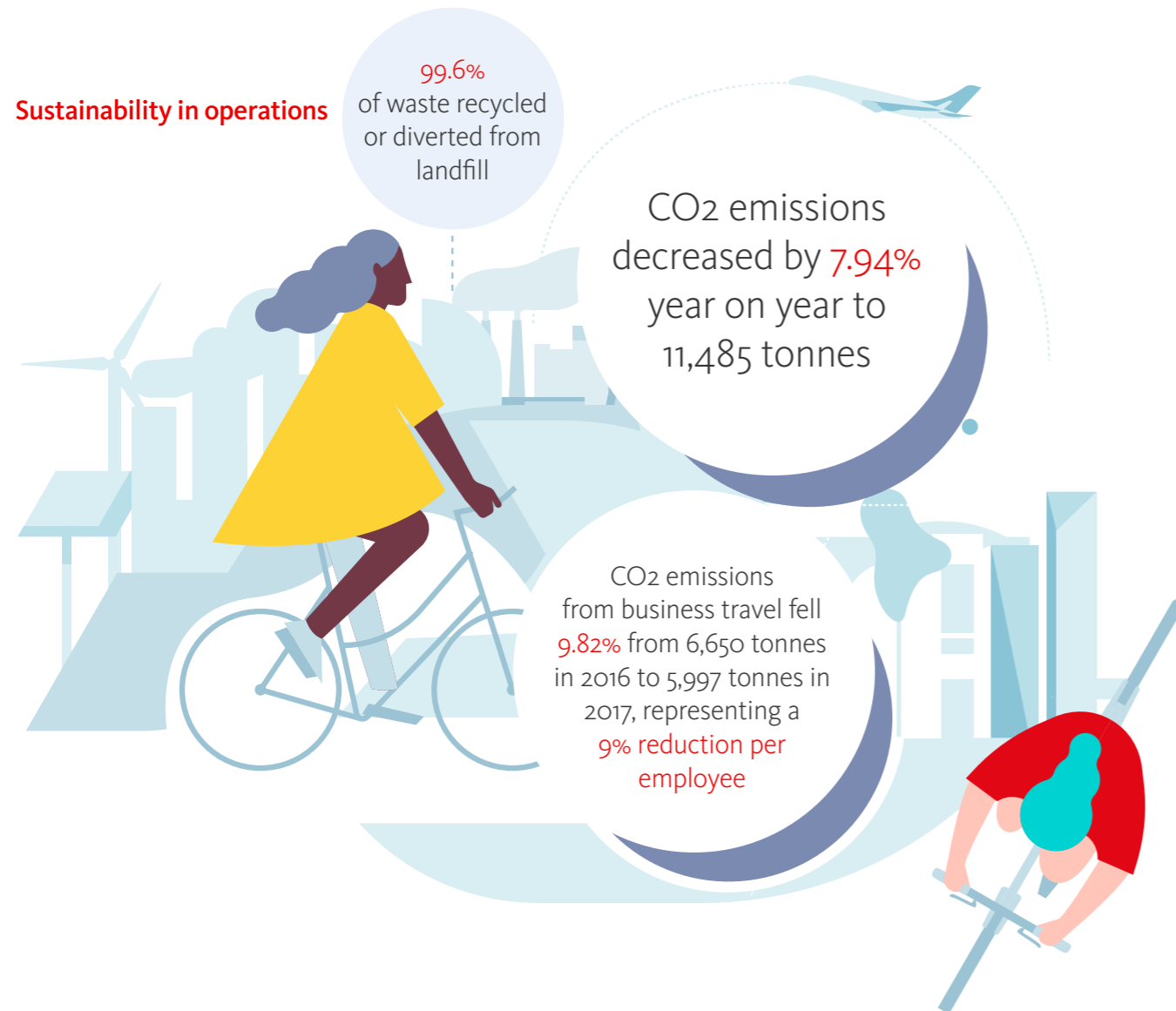
As part of the Santander Group, we comply with the Equator Principles, factoring social, ethical and environmental impacts into our risk analysis and decision making process for financial transactions. These principles address matters such as climate change, prevention of pollution and toxic waste emissions, biodiversity, indigenous peoples and human rights.

We're one of the largest renewable energy financiers and rank as the number one lender to the sector by value in 2017⁵ across Europe and the UK. In the UK, in 2017 we provided £547 million of debt financing to 12 different projects, some of which are portfolios of assets. Each of these projects support our common objective to decarbonise society by producing renewable energy and reducing overall energy consumption. Our Project & Infrastructure Finance Team provides financing to onshore, offshore wind, solar and biofuel projects both at a pre-construction and operational stage. In addition to this, we offer advisory services to our renewable and alternative energy clients on how to raise capital to fund these types of projects.

Our policy on Aerospace and Defence, Energy and Soft commodities defines our approach towards creating long-term value within these sectors while managing reputational, social and environmental risks stemming from customers' activities.

£547m of renewable and energy efficiency assets financed in 2017.

Sustainability in operations



Energy management and emissions

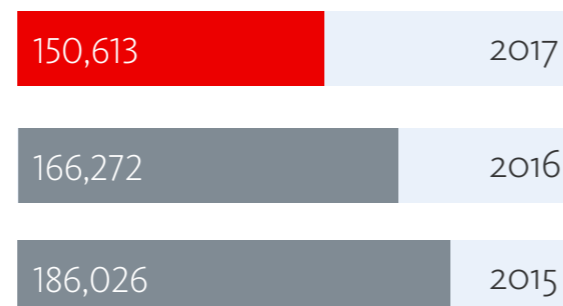
Our Environmental & Energy Management Systems (EMS & EnMS) provide a framework for operational management across our 15 main offices and data centres in the UK. In 2017, we successfully recertified the ISO 14001 and ISO 50001 accreditation across all of these properties.

Smart meter technology allows us to track the energy performance of our properties, helping us to reduce energy wastage by optimising our plant operation. This contributed to an annual reduction of 10% in electricity and 5% in gas usage in 2017. Our electricity is sourced entirely from green supplies including biomass, wind and water.

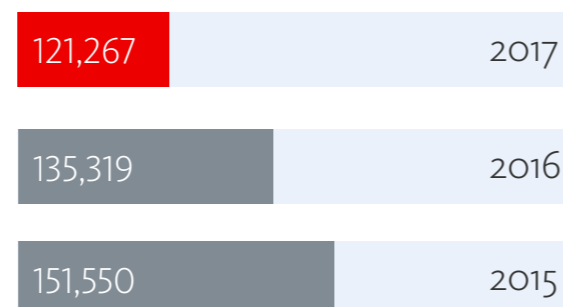
For the third year in a row, Santander has ranked second among the top five retail banks in the UK for environmental performance. Since 2010, we have reduced our emissions and we are second only to Barclays. These figures are reported through the CRC (Carbon Reduction Commitment) Energy Efficiency Scheme, designed to improve energy efficiency and cut carbon dioxide emissions through reporting from private and public sector organisations. Santander's significant reductions can be contributed to a switch to more efficient energy sources, a move away from coal, and a reduction in energy consumption.

Business travel represents 52.2% of our total CO2 emissions which fell from 6,650 tonnes in 2016 to 5,997 tonnes in 2017, representing a 9% reduction per employee. We encourage our people to use travel-free meeting methods wherever possible.

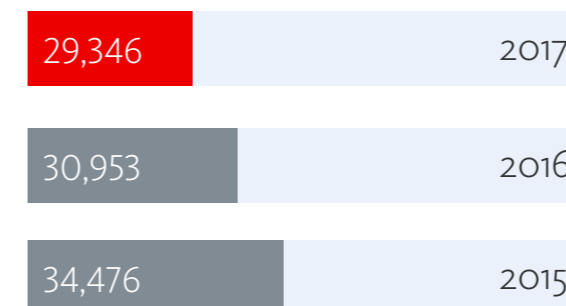
Energy usage (MWh)



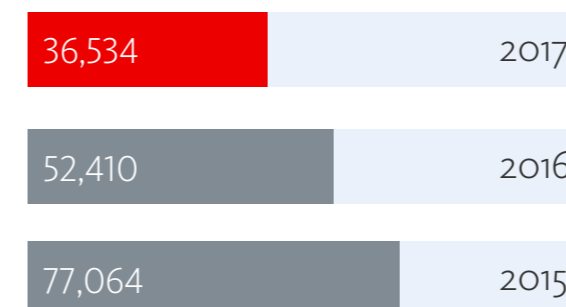
Electricity – Green Biomass (MWh)



Gas (MWh)



Oil (Litres)



Waste

Over 99.6% of the waste generated through our operations (primarily paper, plastic, aluminium, glass and food), is either recycled or diverted from landfill. The waste is processed through Material Recovery, Energy from Waste, Energy Recovery and other facilities so that very little is sent to landfill sites. In the past two years, we have cut our paper usage by 37%, although in 2017 this was 12% higher than 2016 (an issue we will address moving forward). Our online banking customers receive paperless statements (with an opt-out option), and our print suppliers have ISO 14001 certification and maintain full Forest Stewardship Council chain of custody.

Governance and employee engagement

Our sustainability structure is implemented by a Sustainability Working Group, which is then supported by an Environmental Focus Group, and an Energy Focus Group, which collectively improves support, interaction and governance across all levels.

Our Go Green model encourages staff to adopt sustainable environment-friendly behaviours. The Green Club has over 2,500 employees enrolled as Green Champions across each area of the business. Green Club Forums at our major offices enable our Champions to lead environmental activities and give staff the opportunity to regularly meet with senior management.



Governance

Strong governance is an essential part of our purpose to help people and businesses prosper, while continuously and effectively delivering on our sustainability commitments. We aim to be one of the best governed banks in the UK, improving both our effectiveness and efficiency. As we evolve our sustainability strategy, we're also putting in place measures for successful delivery of these commitments throughout the business.

Responsible Banking Committee and the Executive Committee

We established the Board Responsible Banking Committee (RBC) in 2017 to oversee our sustainability programme and to help steer the bank's impact on people, communities, the environment and the economy; considering our brand and market positioning. The purpose of the RBC is to assist the Board in shaping the culture, reputation and customer propositions of Santander UK and to ensure our business is run in a socially responsible way, taking into account the interests of our customers, people, shareholders and communities. The RBC is the highest ranking governance body for matters related to sustainability and is regularly updated by the CSR & Sustainability Team on our sustainability strategy and priorities.

The CSR & Sustainability Team has a regular dialogue with the Executive Committee (Santander UK's most senior management structure) providing regular updates and receiving feedback and guidance on its sustainability strategy and ambition. Our Executive Committee provided valuable insight into the identification of our material issues and is closely involved in all stages of our sustainability strategy development.

Managing sustainability

Santander UK has a dedicated CSR & Sustainability team leading the bank community programmes. It also informs the strategic direction of the business, ensuring this is in line with stakeholder priorities.

The CSR & Sustainability team works across different business areas to drive the integration of this agenda within the business. In addition to the Sustainability Working Group (dedicated to managing our internal environmental performance), we also established a group of community champions representing all business divisions, dedicated to promoting and driving community engagement in their respective business areas. The CSR & Sustainability Team frequently updates the Executive Committee as needed. This engagement from Executive Committee to front line reaffirms the focus and commitment of the bank to our purpose and communities. We also have a suite of policies that set our guidelines on specific sustainability topics (for example, our CSR policy or our Diversity & Inclusion policy).



Stakeholder engagement

Continued engagement and transparent communication helps us maximise the value that we create for our people, customers, communities and shareholders, while understanding the drivers of positive impact we want to bring in society. We communicate with our four key stakeholder groups in multiple ways and through a wide range of channels, such as surveys, events and dedicated mailboxes.

By listening to our stakeholders and understanding their expectations, we can anticipate and respond proactively to key issues and the risks and opportunities they present. Incorporating stakeholder views into our strategic approach to sustainability means we're better able to meet their needs. Stakeholder engagement also helps us build trust, ensuring a long-term customer base that improves business growth. Effective stakeholder engagement contributes to greater inclusiveness, transparency, accountability and responsiveness into the heart of how we do business.

For more information on how we engage with each of our stakeholder groups, please see below.

People

We have around 20,000 employees and engage with them in a number of ways including employee forums, employee networks and face to face events with senior management. See more on the ways we engage with employees as well as key findings and future plans in the 'Internal impact' section of the report.

Customers

We have approximately 14 million active customers across the UK with whom we interact frequently through a number of direct and indirect methods. Such methods range from customer research (surveys, feedback mechanisms), social media monitoring and interactive campaigns, direct contact via our call centres, face-to-face in branch and many more. We're always looking for new and engaging ways to interact with our customers – notably through leveraging new digital technology – and continuously evaluating their priorities, factoring them in business decisions and plans.

Shareholders

We're a subsidiary of Banco Santander and part of the Banco Santander group. Banco Santander is a leading retail and commercial bank, founded in 1857, head-quartered in Spain and among the world's top banks by market capitalisation. Banco Santander has meaningful market share in 10 countries in Europe and the Americas. The UK Group Framework, updated in 2017, sets out the relationship between Santander UK and its shareholder. This provides us with clarity about how we discharge our responsibilities in the UK as an independent Board, while ensuring that Banco Santander is able to exert the oversight and control of its subsidiary that its regulators expect.

Community

The number of beneficiaries we supported in 2017 proves the extent and importance of community engagement for Santander UK. Our community partners, our dedicated community mailbox, the Santander Foundation and our community champions, help us respond to societal needs, priorities and issues.

Our strategy, impacts and way forward

Our ambition is to leverage sustainability, deliver our purpose of helping people and businesses prosper and be an enabler of a prosperous economy and society. We want to better understand our impacts beyond profits and enhance the value our business creates, not just for shareholders, but for the UK economy and society.

We're at the beginning of an exciting journey to evolve our CSR and sustainability approach – making it more strategic and ensuring it delivers the maximum value to the business and society. In order to achieve this, our CSR and sustainability strategy needs to align to our wider corporate strategy so that it can inform business decisions.

We've already completed the first milestone of this journey and have identified the priority issues for our stakeholders and Santander through the materiality matrix assessment. We've looked at our business strategy and priorities to establish the link between our business activities, the material issues and our impacts. We're now engaging with the business to identify activities that align with our material issues and deliver our corporate strategy while creating positive economic, social and environmental impact. This is enabling us to look at our business strategy and priorities through the Sustainability lens and is informing how we should evolve our CSR and sustainability approach.

Our next step is assessing the economic, social and environmental impacts of our business activities and understanding the value that we create and erode. This will enable us to take into consideration a new range of metrics in addition to profits which will help us maximise our positive impacts and minimise externalities, creating a continual feedback loop to better inform management decisions. Through this exercise we'll get a better understanding of our contribution to prosperity and, most importantly, a better understanding of our key impacts which will inform where we should focus our efforts. This will feed back into our sustainability and corporate strategy, driving integration between the two.

This is a long journey with an ultimate objective of mapping over time enough business activities to be able to measure our total impacts (economic, social and environmental) and establish new sustainability targets that are impact based and fully integrated into our corporate strategy.

This strategic approach will bring our purpose to life and allow us to demonstrate and enhance our contribution to prosperity.

Starting our journey toward measuring our impacts

Measuring impacts is complex, especially in the financial services sector. We're starting with three activities to allow us to test the methodology and start driving impact assessment internally – Santander Cycles, Santander Universities and Breakthrough.

We've chosen activities that we're proud of, align either with our corporate and sustainability strategy or CSR/Community programme. As we continue to develop our sustainability strategy, we'll identify further activities that link to our core business and community activities and material issues.

For this, we've qualitatively assessed the relationship between activities and impacts on our stakeholders using impact pathways.

What is an impact pathway?

An impact pathway describes, in qualitative terms, the relationship between Santander UK's activities and impacts on our stakeholders (customers, employees, communities and shareholders). The pathway shows how inputs (i.e. resources invested: money or time) and outputs of activities (i.e. people reached), drive outcomes (i.e. a change) for stakeholders and lead to an impact on wider society. The pathways also provide a framework for the quantification of our impacts.

Sustainability strategy and target development process

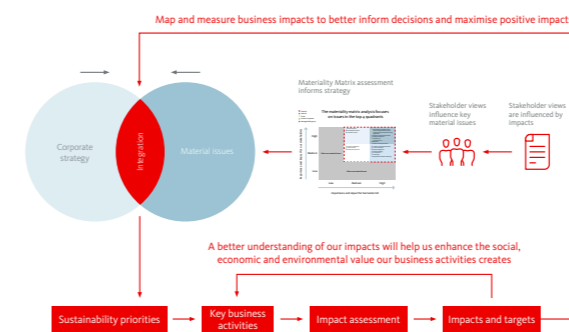


Fig. 6

Structure of impact pathways

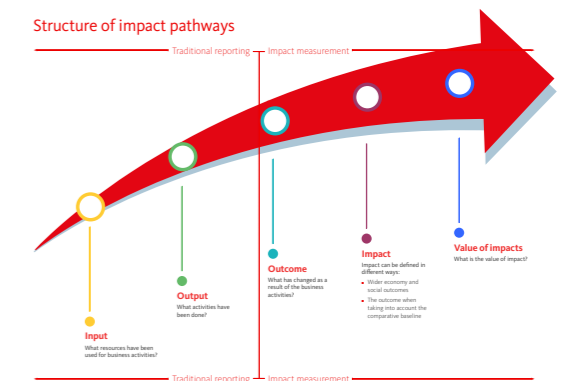


Fig. 7

Together with our Santander Universities, Santander Cycles and Breakthrough teams, we've developed impact pathways that are capturing a comprehensive overview of the impacts that we believe these selected activities have. In each impact pathway, we identified links to our material issues, as well as the key stakeholder groups impacted. We also provided a narrative for each impact pathway to better explain them. Our teams often join forces and work together. Therefore, we identified these overlaps of activities and reflected them as part of the narrative for each impact pathways and in the section 'working together'.

The impact pathways will be refined as we continue to build our understanding of impact, and reviewed and updated so that they reflect material changes as our business and strategy evolves.

Impact pathway – Santander Universities

In the UK, we've donated over £69 million to 83 UK partner universities in the last ten years. In 2017, we directly supported over 13,000 students, graduates and university staff through activities that focus on improving education, employability and entrepreneurship by awarding 1,253 scholarships, 1,125 mobility grants and 6,697 Enterprise Awards. We also work with the Breakthrough Team to provide subsidised internships with SMEs across the UK from which over 54% of students secured further employment.

The impact pathway shows the potential positive and negative impacts of our Universities programme, which mainly relate to communities. Our education activities support students and university staff to study and undertake research at other universities in the Santander Universities network, in the UK and abroad. We anticipate that this helps to improve their employability and future earning potential. In addition, our internship scheme enables students to spend time working in an SME before finishing university, providing opportunities to develop their work skills and to improve their employability and earning potential.

The internship scheme provides SMEs with opportunities, to access additional resources to help them develop their products and services, which can potentially lead to economic growth. There are also positive and negative environmental and social impacts associated with the expansion of SMEs, which would be specific to the nature of the business. These can be, for example, additional jobs in areas with low employment rates (positive) as well as an increase in natural resource use from additional manufacturing plants

Our entrepreneurship programme provides funding, mentoring and networking opportunities, supporting young entrepreneurs to kick start businesses. The growth of these businesses can also lead to economic growth through SME expansion (as well as associated environmental and social impacts).

We're proud to support young people reach their academic, employment and entrepreneurial potential and are working to increase awareness of our university scheme to support more individuals from underrepresented backgrounds. Our ambition is to help improve diversity and inclusion in higher education and among entrepreneurs.

Our work with university partners is helping us introduce students to additional support and products available from Santander, such as our Breakthrough programme that supports entrepreneurs and small businesses and our account products. Our activities contribute 24% of the 11213 World customers⁶ annually, maintaining a sustainable inflow of young customers and therefore supporting sustainable growth and profits for Santander UK.

Impact assessment will help us to further improve our strategic approach to funding activities that provide impactful, diverse and inclusive support to higher education by understanding the drivers that create impact. For example, does funding two week internships for a larger number of students create more or less impact than subsidising six week internships for fewer students? Exploring these types of questions will help us to decide where to focus our efforts to maximise our impact. Overall, the impact assessment will enable us to deliver our purpose to help universities and their communities prosper.

Impact pathway – Santander Cycles

Since launching in 2015 in London, Santander Cycles continue to help create a prosperous, connected and mobile society.

Across all our cycle schemes in London, Milton Keynes and soon to be at university campuses, we look to improve the lives of people using our Cycles and the surrounding communities. We also provide incentives for our employees to cycle, by providing free use of cycles and discounts on equipment, saving them money. Cycling can generate positive impacts such as improving physical and mental health through an active lifestyle, as well as boosting productivity at work⁷.

Public cycling schemes can also support local economies, by providing communities and tourists with an alternative way to travel and commute. This can also mean that local businesses receive more exposure, increasing their opportunities to improve their earnings⁸.

The public bodies we partner with constantly look for ways to expand our cycle scheme to provide more people with access to public cycles and provide greater connection in the communities. While under Santander's sponsorship, Cycles in London have expanded into less privileged communities, further connecting those across all income brackets.

Additionally, revenue raised by our scheme in London increased by £400,000 in 2017, reducing the subsidy needed from public funds to operate and therefore lessening the burden on UK taxpayers. In Milton Keynes, we celebrated our first anniversary in 2017, reaching over 70,000 Cycle hires and almost 17,000 registrations. Working with our Universities team, we launched an innovative cycle hire scheme competition with 23 UK partner universities for the chance to win funding from Santander to implement their own cycle schemes on campus. from public funds to operate and therefore lessening the burden on UK taxpayers. The winning universities, Swansea and Brunel, will go live this year.

We're always using our Cycles to innovate and test new technologies, such as improving navigation, payment systems and cyclists' safety. For example in London, alongside TfL, we installed Blaze Laserlights on all 12,000 Santander Cycles to support greater visibility on the road with the aim to reduce the number of cycling accidents and injuries. We also helped to raise awareness of responsible cycling by supporting the Bikeability initiative in Milton Keynes to help people get comfortable, confident and safe in the saddle.

Cycling can also create positive environmental impacts, in particular where people choose to use a bike rather than cars or taxis, thereby avoiding air pollution and greenhouse gas emissions. In the long term we anticipate that this could also lead to decreasing demand for infrastructure e.g. car parks, improving the environment for communities⁹.

We are also aware of risks that cycling can bring. We are therefore engaging with local community programmes such as Hazard Alley Initiative in Milton Keynes to raise awareness of safe cycling for young people and of course the aforementioned Blaze Laserlights, to improve the cyclists' safety.

The Santander Cycles schemes have enabled us to have a positive impact in the communities we operate, sharing and promoting our brand and values. This in turn has a positive impact on our business and therefore our shareholders. We hope to use insights from the impact assessment to inform our business decisions so we can maximise our impact in those communities in greatest need of more mobility options.

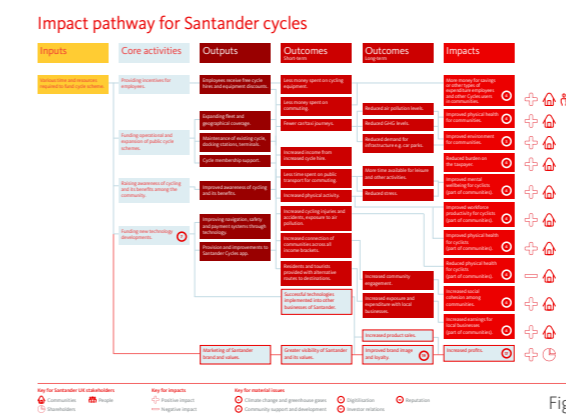


Fig. 9

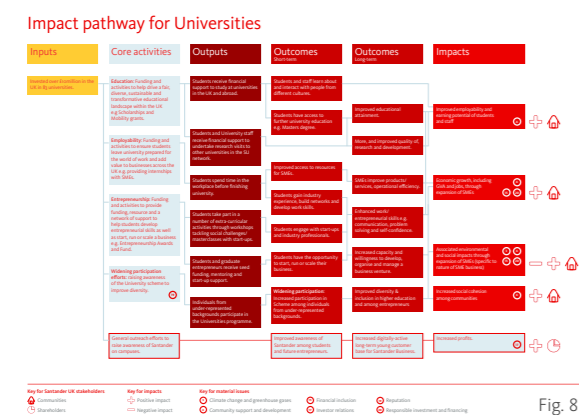


Fig. 8

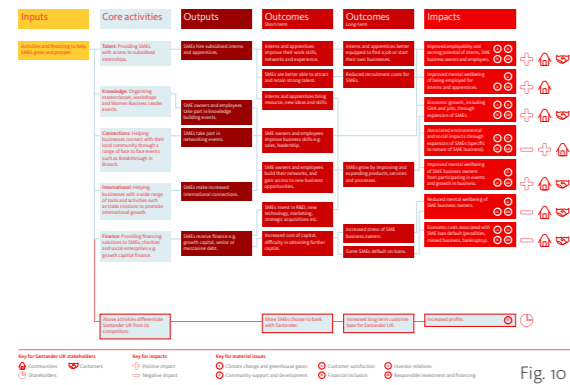
6 11213 world customers are any customers who hold one (or more) of our 11213 products e.g. 11213 student account, current account or credit card.

7 Raje and Saffrey (2016), https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/509587/value-of-cycling.pdf; Woodcock et al. 2014, <https://www.bmj.com/content/348/bmj.g425>
 8 Raje and Saffrey (2016), https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/509587/value-of-cycling.pdf
 9 Raje and Saffrey (2016), https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/509587/value-of-cycling.pdf



Our impact – Breakthrough

Impact pathway for Breakthrough



Santander Breakthrough helps ambitious businesses grow and prosper. In 2017, over 6,270 businesses engaged in Breakthrough activities. Our activities go beyond every day banking, and are focused on talent, connections, knowledge, finance and international growth (see image below).

The impact pathway shows how each of the five core activities of Breakthrough can impact our customers, communities and shareholders. Breakthrough Talent provides SMEs with access to subsidised internships, which can help to improve the employability and earning potential of interns. Often the interns are then recruited as full time employees which means a 'win-win' situation for both the interns who get a job (mental wellbeing benefit from being employed), and for the SMEs, who get an employee that they trust and value with a reduced cost of hiring.

We provide financing solutions to SMEs. Financing helps SMEs grow their business by expanding their products, services and processes. Scale-up of business means more contribution to the UK economy as well as creation of jobs. In addition to economic impacts, there are environmental and social impacts associated with the expansion of SMEs, which would be specific to the nature of the business. These can be positive (e.g. additional jobs in areas with low employment rates) as well as negative (e.g. increase of greenhouse gas emissions from additional manufacturing plants or growth of one SME crowding out other market entrants.)

While our loans provide the necessary capital for SMEs to grow their businesses, we're also aware of the burden it can create during challenging times. We understand that running a business can be stressful. Our activities therefore go beyond just finance solutions for SMEs, providing support for all facets of the business necessary for success. For example, we host knowledge and connections events such as 'Breakthrough in Branch' to help SMEs develop networks in their local community. Likewise, we organise bespoke masterclasses and workshops that deepen SME owners understanding on topics including GDPR, cyber security, business growth, brand and marketing. We also organise trade missions to promote international growth. These activities help SME owners and employees build their networks, gain access to business opportunities, and equip them with knowledge and skills to be better able to cope, which can also improve their mental wellbeing.

We believe our Breakthrough programme helps to differentiate us from our competitors, increasing our long term customer base and increasing profits for our shareholders.

The impact assessment process will help us to communicate the impact of the programme consistently with all our internal and external stakeholders and new clients, helping to ensure the programme has a broad reach, as well as help us understand which aspects of Breakthrough create the greatest value.



Breakthrough Connections

Keeping you connected to your local business community through a range of face to face events.



Breakthrough Knowledge

Access to innovative companies and high profile brands who have gone through their growth journey and want to share their learning with you.



Breakthrough Talent

Support to find and retain the best talent, including access to subsidised graduate interns through our partner universities.



Breakthrough International

Helping you break into new markets through a range of tools and support.



Breakthrough Finance

Funding solutions to help support your business when you need it most. Lending is subject to status and lending criteria.

Working together

Santander Universities, Santander Cycles and Breakthrough often work together to create and expand initiatives. The complementary nature of our activities is highlighted in the example below:

48%

of cyclists were worried about visibility whilst cycling at night.



A blazing success

The story of Blaze demonstrates our ongoing commitment to higher education, to entrepreneurs and to small businesses.

The Blaze Laserlight was invented by Emily Brooke, a London-based designer and keen cyclist. It combines a light and a laser to project a green image of a bike onto the ground six metres in front of the cyclist, making drivers, who may not see the bike in their blind spot, aware of it, especially at night. It also alerts pedestrians who are about to cross the road, that a cyclist is approaching.

In 2010, Emily received an entrepreneurship grant from Santander UK to develop the idea during her final year at Brighton University. One year later the strength of the innovation won Emily a Santander UK entrepreneurial scholarship to go to the prestigious Babson College, Massachusetts. It was at Babson College that Emily gained the confidence to turn the concept into a business.

Santander UK and Emily came together again in 2016. Research conducted by Santander Cycles showed that 48% of cyclists were worried about visibility whilst cycling at night. Santander UK decided to tackle this fear by installing Emily's ground-breaking laser innovation on all 12,000 Santander Cycles in London, which was completed in 2017.

Independent research, by the Transport Research Laboratory, discovered that 78% of London bus drivers found the light made it easier for them to recognise cyclists on the road. This has a significant impact on the safety of cyclists and pedestrians. The lights contribute to improving the lives of Londoners by reducing fear, increasing visibility and safety whilst promoting an active lifestyle.

78%

of London bus drivers found the light made it easier for them to recognise cyclists on the road.

As we continue to map impact pathways for our business and identify where teams are or can be collaborating, we will identify opportunities to increase synergies and improve our offering to help people and businesses prosper.

Appendix

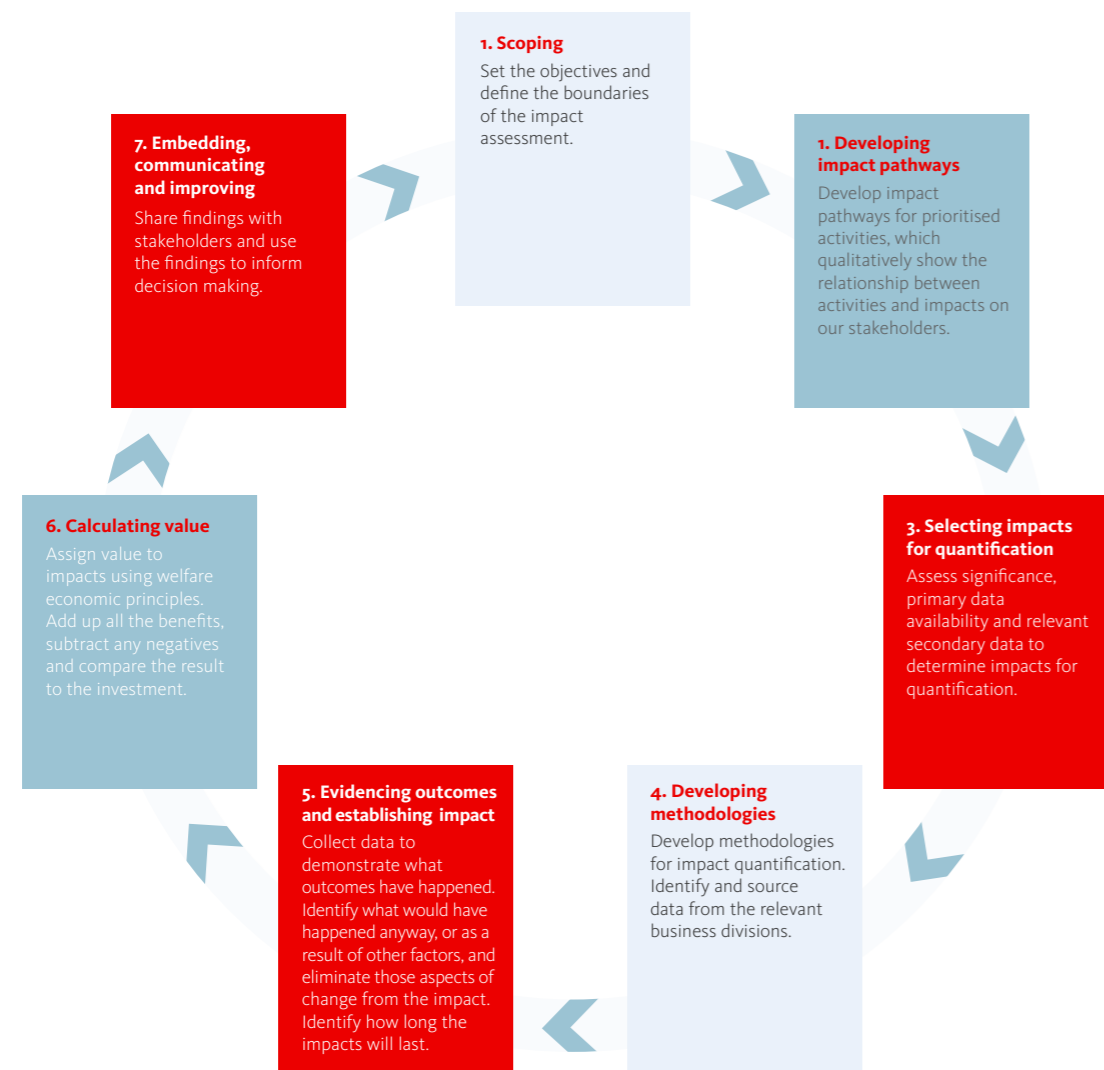
Impact assessment

What is impact assessment?

Impact assessment helps organisations to assess the economic, social and environmental value they create and erode in the course of their activities. The measurement and valuation of impacts are well-established disciplines in the public and private sectors (see, for example, the UK Government's 'The Magenta Book: Guidance for evaluation'¹⁰ and the World Business Council for Sustainable Development's 'Measuring Socio-Economic Impact: A guide for business'¹¹).

Santander UK's objective is to understand and communicate our impacts beyond profits. This will help us to evaluate how to maximise our positive impacts and minimise the negative ones. Our long term ambition is to measure all of our impacts and use these to inform our sustainability strategy and business decisions.

Our approach aligns with established best practice guidance as outlined in the Social Return on Investment¹² (SROI) Guidelines and the Social Capital Protocol¹³ (see 'frameworks for measuring social value' box), following seven steps to deliver the impact assessment:



Frameworks for measuring social value

SROI Guidelines: The guidelines were first published in 2009 by The Cabinet Office and are a well-established approach for valuing impacts. They have been widely adopted within the charity sector and are being increasingly used by the corporate sector.

Social Capital Protocol: In 2015, the World Business Council for Sustainable Development initiated the development of the Social Capital Protocol, with the objective of providing a framework for corporates to identify, measure and value their impacts with respect to social and human capital. The first draft was published in 2017, and has already been piloted by 25 companies.

¹⁰ <https://www.gov.uk/government/publications/the-magenta-book>

¹¹ <https://www.wbcsd.org/Projects/Reporting/Resources/Measuring-Socio-Economic-Impact-A-guide-for-business>

¹² A guide to Social Return on Investments, Cabinet Office, 2009, available at: https://www.bond.org.uk/data/files/Cabinet_office_A_guide_to_Social_Return_on_Investment.pdf

¹³ <http://www.social-capital.org/>

Sustainability indicators

Category	2017	2016	2015	2014
People				
Total FTE ¹⁴ – Santander UK plc	19,432	19,220	19,992	20,676
Total FTE – UK based ¹⁵	24,585	24,175	24,423	24,515
Salaries and other staff costs	£1,136,000,000	£1,125,000,000	£1,118,000,000	£860,000,000
Employees – Diversity				
Total female employees	10,980	10,796	11,298	11,829
Total male employees	8,452	8,424	8,694	8,847
Total full-time employees	16,308	16,277	16,731	17,903
Total part-time employees	3,124	2,943	3,261	2,773
Total ethnic minority employees ¹⁶	2,226	1,621	1,751	1,852
Total employees aged over 50	3,313	3,204	3,229	3,160
Employees – Misc				
Average days absent per employee	10.8	9.9	8.6	6.67
Employee turnover	14.64%	13.28%	14.28%	13.01%
Average length of service (years)	8.95	8.74	8.46	8.32
Pension participation	92%	91%	88%	88%

¹⁴ Full Time Equivalent.

¹⁵ Total figure includes transfers of UKbased support people from Group entities.

¹⁶ Based on [12,815] FTE who completed the voluntary self-declaration option on profile monitoring forms.

Category	2017	2016	2015	2014
People				
Employees – Learning				
Total number of training days	104,802	169,051	140,290	107,974
Training days per employee ¹⁷	5.39	8.80	5.90	4.55
Investment in training	£8, 808,662.87	£11,579,717	£12,303,839	£10,400,000
Accidents at work				
Minor accidents	309	292	249	283
Accidents resulting in over 7 day absence	6	3	2	4
Major accidents	17	6	7	1
Customers				
No. active customers	14 million	14 million	14 million	14 million
Customer satisfaction ¹⁸	63.00%	62.90%	62.90%	59.70%
FCA reportable customer complaints ¹⁷	346,287	250,463	223,235	260,440
Number of branches	806	841	857	921
Number of Corporate Business Centres	64	67	70	66
Suppliers				
Value of procurement	£1,651,326,869	£1,738,605,109	£1,735,209,000	£1,768,000,000
No. suppliers	1,642	1,663	1,887	2,612
Payment days beyond terms	13	7	6	10
No. new SME ¹⁹ contracts	104	78	104	121
Value new SME contracts	£7,050,000	£9,060,000	£24,000,000	£40,000,000
% of contracts with SMEs	80%	61%	58%	40%
Environment				
Energy				
Fuel sources (MWh)				
Electricity – Green Biomass (MWh)	121,267	135,319	151,550	170,598
Gas (MWh)	29,346	30,953	34,476	37,543
Oil (Litres)	36,534	52,410	77,064	64,746

¹⁷ Restated from Strategic Report 2017.

¹⁸ Financial Research Survey by GfK, December 2017.

¹⁹ SME: Small Medium sized Enterprises, any business with fewer than 250 employees.

Category	2017	2016 ²⁰	2015	2014
Environment				
CO2 emissions from fuel (tonnes)				
Electricity ²¹	0	0	0	0
Gas	5,394	5,689	6,331	6,895
Oil	94	135	200	176
Total CO2 released	5,488	5,825	6,531	7,017
Water				
Water (m ³)	278,699	294,945	293,598	296,986
Waste				
Waste collected (tonnes)	5,288	4,506	4,517	4,899
Waste Diverted from Landfill (tonnes)	5,269	4,480	4,516	4,821
Waste Diverted from Landfill (%)	99.6	99	100	98
Paper				
Paper (Kg) – Consumables	182,454	187,434	208,985	197,351
Paper (Kg) – Literature	2,704,380	2,578,080	4,925,678	5,515,468
Total paper (Kg)	2,886,834	2,765,514	5,134,663	5,712,819
Financing				
Renewable Energy Financing ²²	£54,404,633	£53,187,000	£52,000,000	£70,000,000
Travel (km)				
Air travel – domestic	3,635,178	4,823,120	7,118,955	6,362,777
Air travel – short haul Europe	6,070,889	6,141,758	6,797,460	7,581,908
Air travel – long haul International	4,436,986	5,324,048	3,926,034	4,769,341
Car	14,220,879	14,977,247	23,637,048	30,263,853
Rail	10,597,491	10,131,595	28,769,891	12,969,417
Total travel	38,961,423	41,397,768	70,249,388	61,947,296
CO2 emissions				
CO2 from fuel	5,488	5,825	6,531	7,017
CO2 from business travel	5,997	6,650	9,552	10,353
Total CO2	11,485	12,475	16,083	17,370
CO2 released per employee	0.47	0.52	0.66	0.71

²⁰ 2016 numbers have been restated due to re-profiled data following finalised bills.

²¹ Our electricity is sourced entirely from green supplies including biomass, wind and water.

²² Figures include only SCCB (Santander Corporate and Commercial banking) as opposed to SGCB (Santander Global Corporate Banking) which is mentioned in the relevant section of the report.

Category	2017	2016	2015	2014
Communities				
Communities	£5,559,647	£5,485,020	£5,568,072	£4,659,694
Education/Explorer	£11,031,841	£12,483,624	£12,872,186	£12,622,652
Employment/Transformer	£901,200	£966,200	£542,578	£536,656
Enterprise/Changemaker	£677,694	£1,491,643	£3,375,855	£3,553,292
Other ¹⁷	£2,058,209	£1,607,828	£1,057,412	£574,392
Total ¹⁷	£20,228,591	£22,034,314	£23,416,103	£21,946,686
Santander Foundation ²³				
Matched Donations	£2,302,360	£2,340,316	£2,594,679	£2,279,197
Discovery Grants	£3,144,150	£3,056,251	£3,110,639	£3,034,685
Total	£5,446,510	£5,396,567	£5,705,318	£5,313,882
Number of donations	3,238	3,263	3,291	2,729
Volunteering				
Discovery Day projects	699	556	363	256
Workshop students	38,284	18,227	11,756	8,458
Staff volunteers	8,873	8,177	5,080	4,221
Value of volunteering time ¹⁷	£1,922,165 ²⁴	£1,430,164	£957,386	£777,891
Santander Universities				
Total donations	£10,073,550	£11,335,600	£11,920,000	£11,000,000
Number of partners	83	81	80	77
Scholarships	1,253	814	1,048	753
Mobility awards	1,125	1,174	2,717	1,722
Enterprise awards	6,697	1,090	179	223
Misc awards	3,072	2,738	76	201
Internship awards	1,407	2,176	2,171	1,894
Work placement awards	80	32	449	0
Total awards	13,634	8,024	6,640	4,793

²³ In 2017 we changed the reporting of Discovery Project grants to include committed spend and associated donations for the year rather than only including grants paid during the year. This change better reflects activity during the period and aligns to how beneficiaries report donations and grants.

²⁴ Value of volunteering time for 2017 is based on updated London Benchmarking Group (LBG) average hourly rate for the financial services sector.

Category	2017	2016	2015	2014
Santander Breakthrough				
Total investment	£217,999	£737,715	£1,331,000	£1,371,000
Iconic Masterclass and Workshop Delegates	400	137	79	117
Trade mission delegates	246	53	40	41
Other Breakthrough beneficiaries	5,624	4,615	5,292	370
Total Breakthrough beneficiaries	6,270	4,805	5,411	528
KPIs added to CSR report 2017				
People supported	281,673	196,300	n/a	n/a
Support for communities	£20,228,591	£22,034,314	£23,416,103	£21,946,686
Corporation tax paid	Excluded from assurance			
Contracts awarded to small businesses	80%	61%	58%	40%
Colleague engagement ²⁵	71%	72%	71%	

For shareholder and customer KPIs please see page 5 of this report.

²⁵ To remove the effect of a change in wording of a survey question in 2017, the 2017 result incorporates some 2016 data to enable comparison with previous years.

GRI, SDGs and Compass alignment table

Macro topic	Material issues	Relevant SDGs	This material references relevant 2016 GRI standards	Compass
External	Community support and development	SDG 4, 8, 9, 10	GRI 413-1: Operations with local community engagement, impact assessments and development programmes GRI 413-2: Operations with significant actual and potential negative impacts on local communities	Communities
	Customer satisfaction			Customers
	Fair competition	SDG 16	GRI 206-1: Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Customers and Shareholders
	Renewables and alternatives	SDG 7, 13		Communities
	Reputation			Communities, Customers, Shareholders, People
	Responsible investment and financing	SDG 8, 9, 13, 14, 15		Communities and Shareholders
	Internal	Board composition	SDG 5, 10	
Employee compensation and benefits		SDG 8	GRI 401-1: New employee hires and employee turnover GRI 401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees GRI 401-3: Parental leave	People
Employee development		SDG 4, 8	GRI 404-1: Average hours of training per year per employee GRI 404-2: Programmes for upgrading employee skills and transition assistance programmes GRI 404-3: Percentage of employees receiving regular performance and career development reviews	People
Employee engagement		SDG 8		People
Employee wellbeing		SDG 3, 8		People

Macro topic	Material issues	Relevant SDGs	This material references relevant 2016 GRI standards	Compass
Internal	Workforce diversity and inclusion	SDG 5, 10	GRI 405-1: Diversity of governance bodies and employees GRI 405-2: Ratio of basic salary and remuneration of women to men	People
	Licence to operate	Business ethics and corporate culture	SDG 8, 16	GRI 205-1: Operations assessed for risks related to corruption GRI 205-2: Communication and training about anti-corruption policies and procedures GRI 205-3: Confirmed incidents of corruption and actions taken
Executive compensation		SDG 8, 10		People and Shareholders
Financial crime		SDG 16		Communities and Shareholders
Managed by Group	Human rights	Underlying principle of SDGs SDG 8, 10	GRI 412-1: Operations that have been subject to human rights reviews or impact assessments GRI 412-2: Employee training on human rights policies or procedures GRI 412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	People, Communities and Shareholders
	Responsible tax practices	SDG 8, 16		Communities and Shareholders
	Investor relations	SDG 8		Shareholders
	Shareholder activism	SDG 8		Shareholders

GRI, SDGs and Compass alignment table (continued)

Macro topic	Material issues	Relevant SDGs	This material references relevant 2016 GRI standards	Compass
Trend	Climate change and greenhouse gases	SDG 13, 12	<p>GRI 302-1: Energy consumption within the organisation</p> <p>GRI 302-2: Energy consumption outside of the organisation</p> <p>GRI 302-3: Energy intensity</p> <p>GRI 302-4: Reduction of energy consumption</p> <p>GRI 302-5: Reductions in the energy requirements of products and services</p> <p>GRI 303-1: Water withdrawal by source</p> <p>GRI 303-2: Water sources significantly affected by withdrawal of water</p> <p>GRI 303-3: Water recycled and reused</p> <p>GRI 305-1: Direct (scope 1) GHG emissions</p> <p>GRI 305-2: Energy indirect (scope 2) GHG emissions</p> <p>GRI 305-3: Other indirect (scope 3) GHG emissions</p> <p>GRI 305-4: GHG emissions intensity</p> <p>GRI 305-5: Reduction of GHG emissions</p> <p>GRI 305-6: Emissions of ozone-depleting substances (ODS)</p> <p>GRI 305-7: Nitrogen oxides (NOx), Sulfur oxides (SOx), and other significant air emissions</p> <p>GRI 306-1: Water discharge by quality and destination</p> <p>GRI 306-2: Waste by type and disposal method</p> <p>GRI 306-3: Significant spills</p> <p>GRI 306-4: Transport of hazardous waste</p> <p>GRI 306-5: Water bodies affected by water discharges and/or runoff</p>	Communities

Macro topic	Material issues	Relevant SDGs	This material references relevant 2016 GRI standards	Compass
Trend	Customer privacy and information security	SDG 16	GRI 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customers
	Digitalisation	SDG 9		People, Customers, Communities
	Financial inclusion	SDG 1, 4, 5, 8, 10		Communities and Customers

Our Compass

The Compass sets out the Company's KPIs across four quadrants covering each of the main stakeholder groups; Customers, Shareholders, Communities and People. The Compass ensures that our day-to-day activities align with the overarching strategy of the bank and helps us to measure progress towards our strategic priorities and our aim of being the best bank.

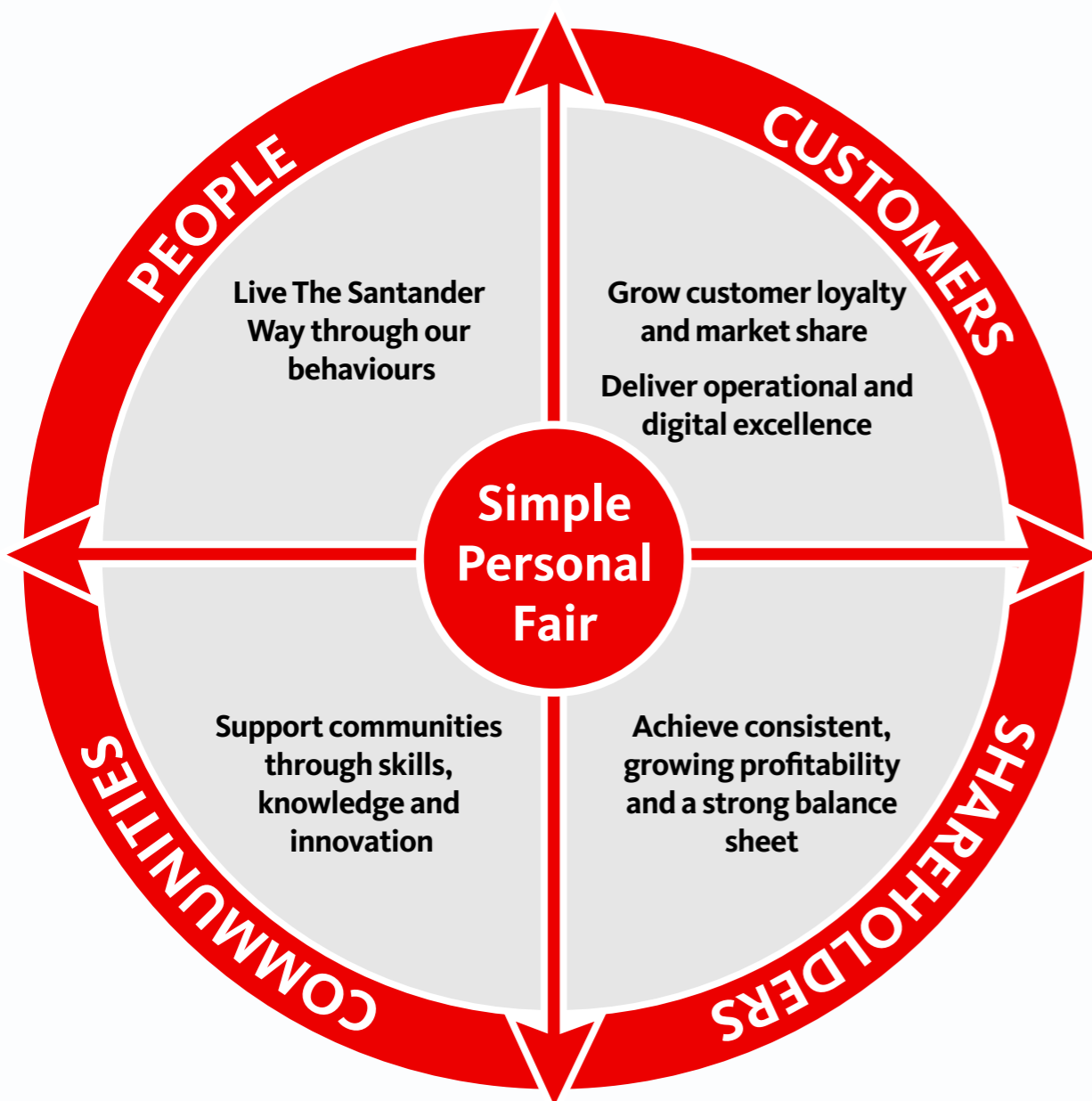


Fig. 1

Our Behaviours

Our values of Simple, Personal and Fair are brought to life by our nine behaviours, which form our foundation of being a responsible bank and are at the heart of a sound corporate culture. Our behaviours underpin our purpose of helping people and businesses prosper.



Fig. 2

Material Issues Categorisation

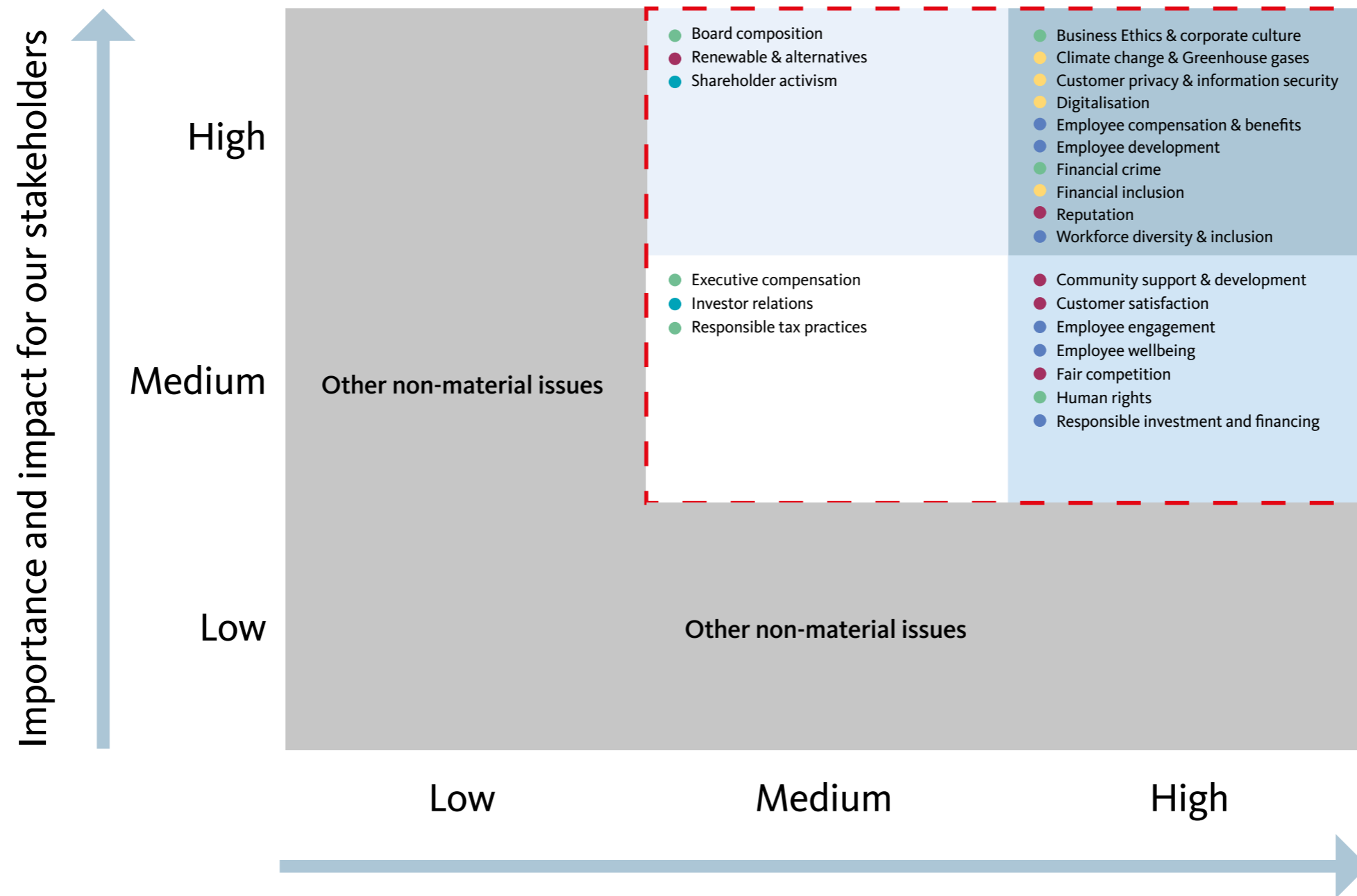


Fig. 3

Materiality Matrix

- External
- Internal
- Trend
- Licence to operate
- Managed with group

The materiality matrix analysis focuses on issues in the top 4 quadrants



Importance and impact for Santander UK

Fig. 4

Employee-led Diversity Networks

Women in Business Network

Women in Business

Launched in 2012, our focus is to encourage a more balanced representation of women in Santander UK and help our female colleagues feel more empowered to fulfil their true potential.

Embrace Network

Embrace

Launched in 2014, Embrace provides a community for lesbian, gay, bisexual and transgender employees to come together to share information, personal experiences, hold discussions and support one another. We want our people to feel they've got the support they need and to be part of an inclusive culture where you can be exactly who you are.

Ethnicity @Work Network

Ethnicity@Work

Ethnicity@Work celebrates and embraces cultural differences from race, traditions, heritage and customs – we want our people to feel comfortable about who they are and their cultural background.

Enable! Network

Enable!

Millions of people in the UK have a disability, and many of our colleagues are either directly or indirectly affected by disability. We continue to build a working environment where our people feel accepted and included. Our Enable! network provides employees with a platform to share, learn, discuss and support.

Parents & Carers Network

Parents & Carers

The Parents & Carers Network aims to bring together anyone who feels they want to share or learn from the experiences of others in a similar position. This is for fathers, mothers, step-parents, parents through fostering or adoption, and grandparents as well as those who are caring for someone unable to look after themselves for example through age, illness or disability.

Mental wellbeing Network

Mental wellbeing

The network encourages positive mental wellbeing and supports this by promoting awareness, openness and understanding at all levels of the bank. The network believes that employees should benefit from a positive work-life balance and understands the link between physical and mental wellbeing.

Fig. 5

Sustainability strategy and target development process

Map and measure business impacts to better inform decisions and maximise positive impacts

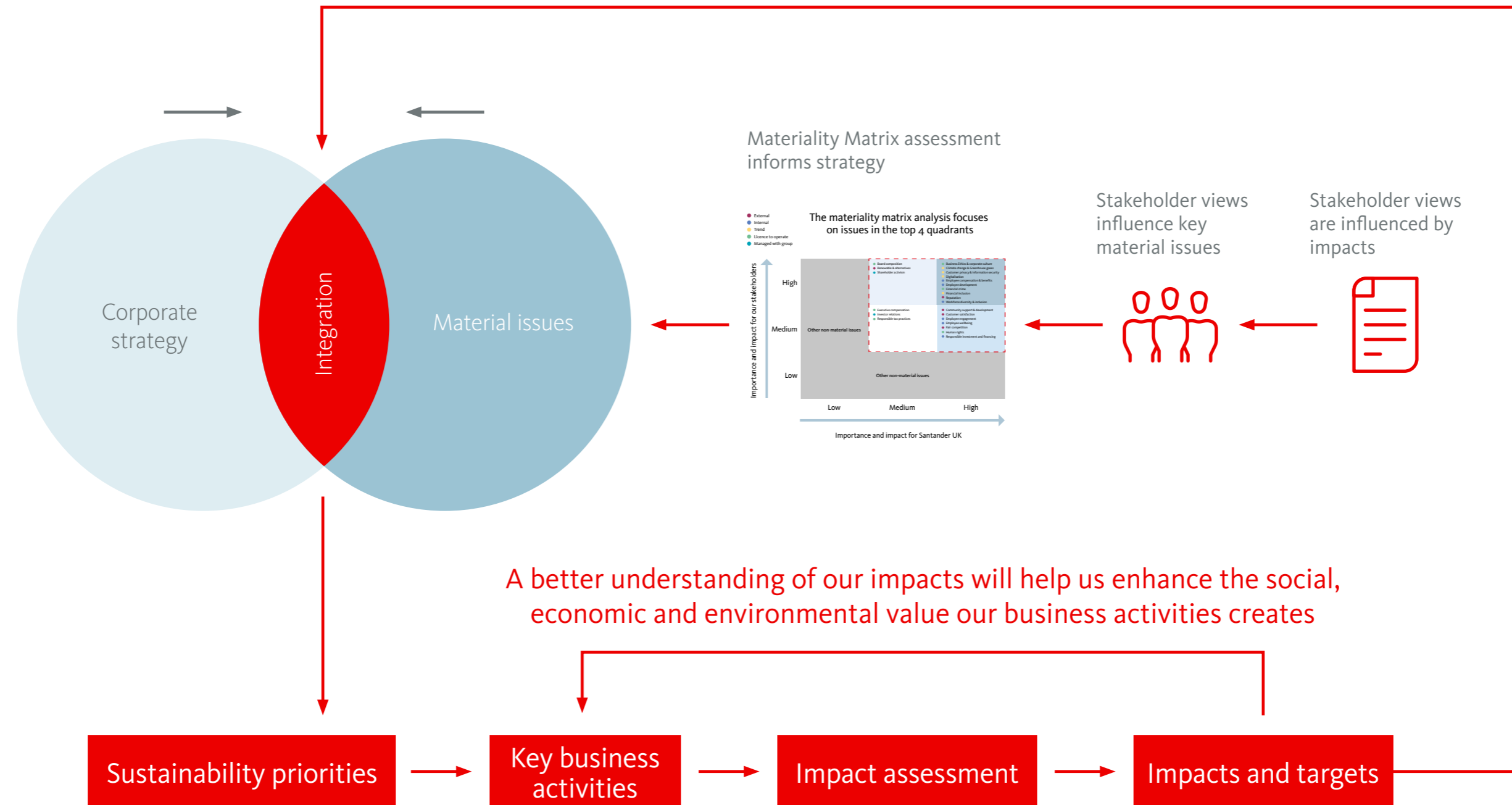


Fig. 6

Structure of impact pathways

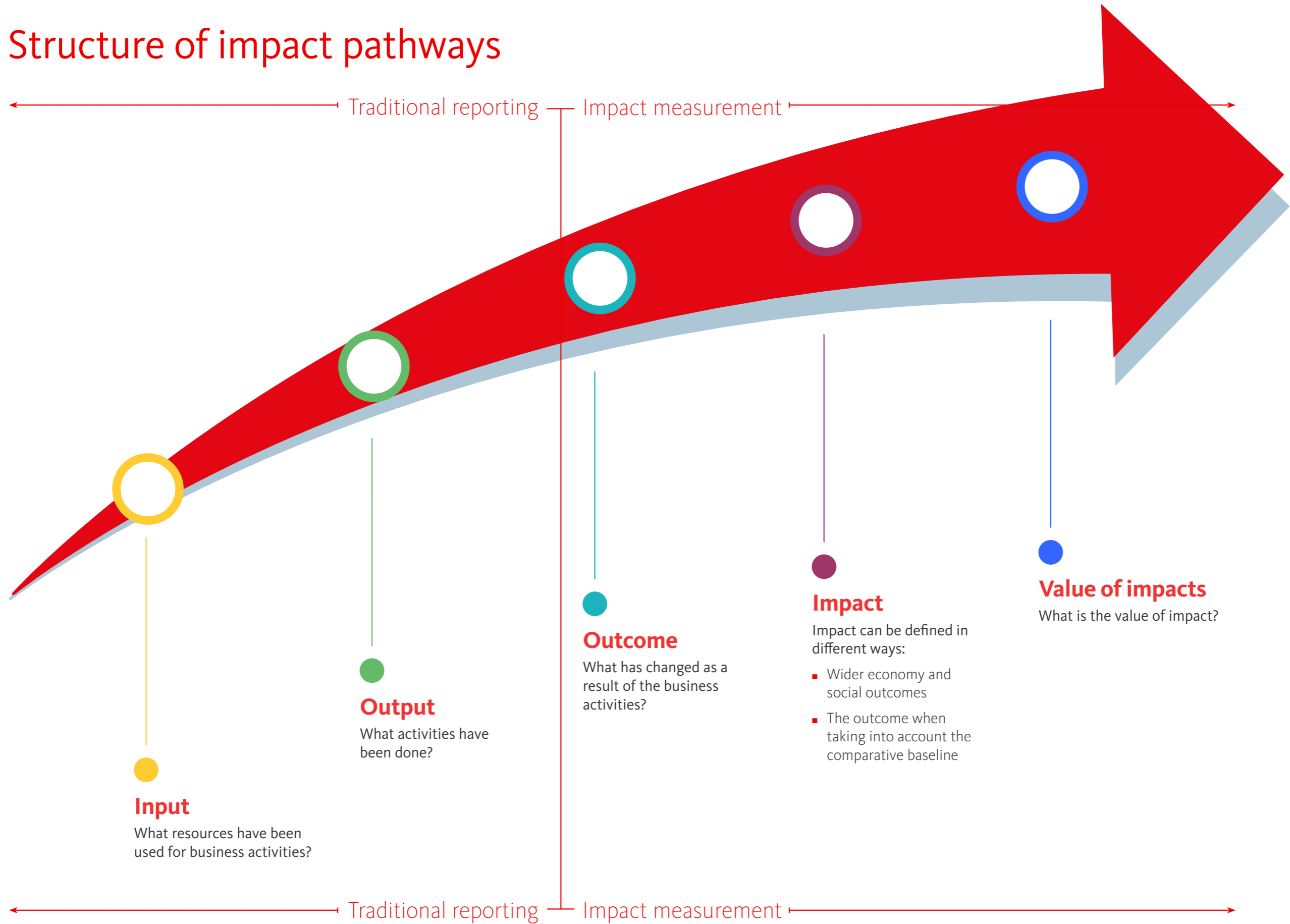
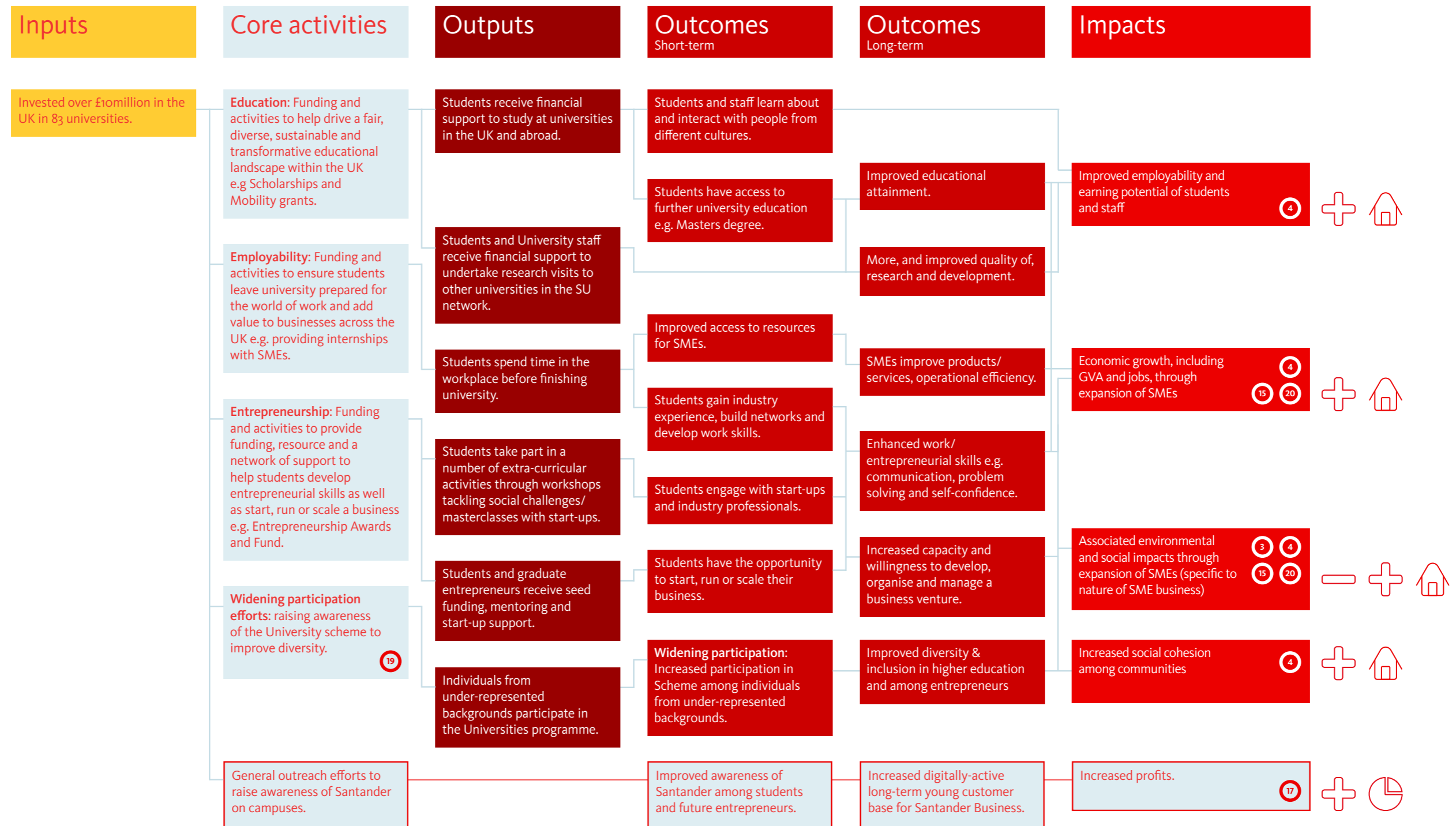


Fig. 7

Impact pathway for Universities



Key for Santander UK stakeholders

- Communities
- Shareholders

Key for impacts

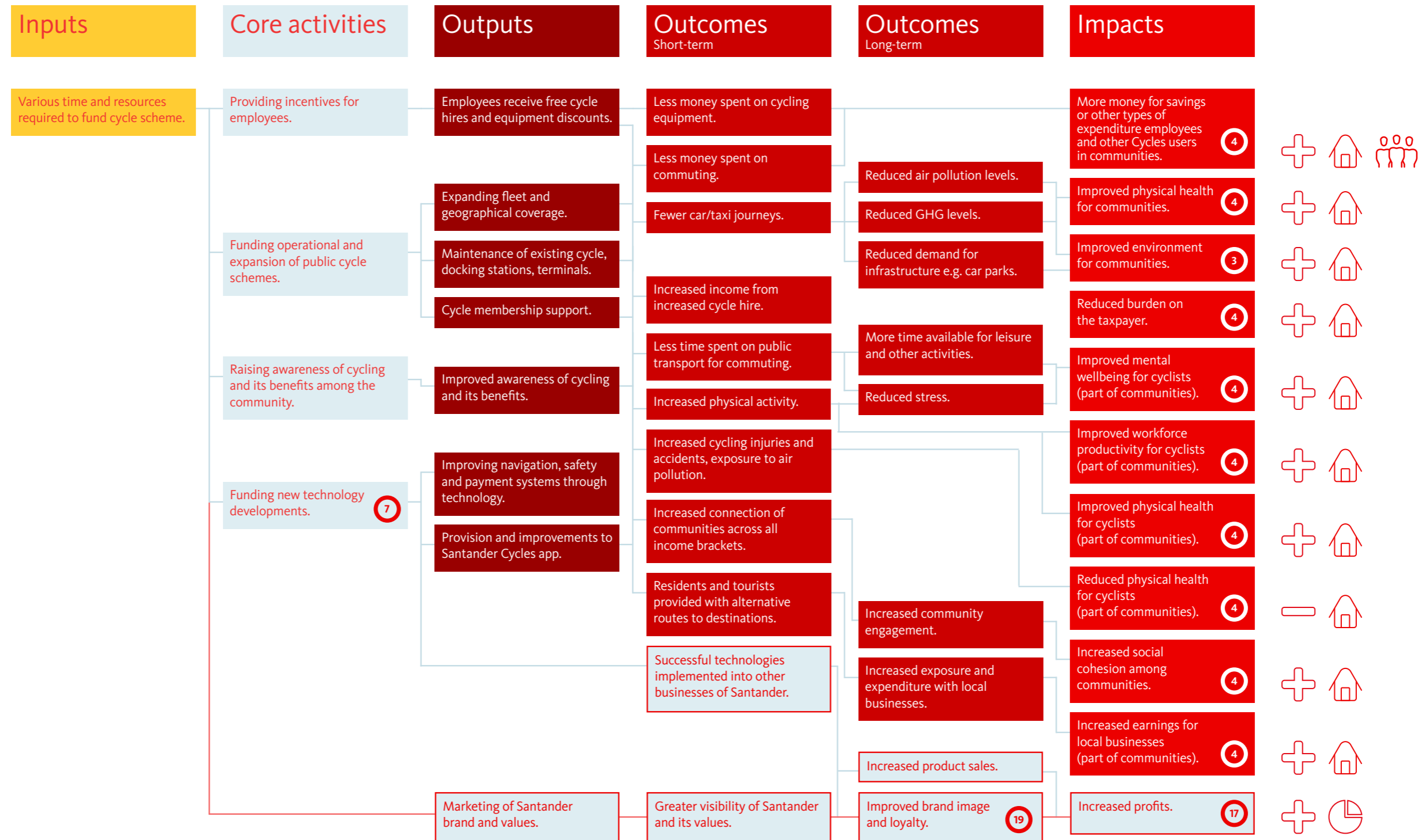
- Positive impact
- Negative impact

Key for material issues

- Climate change and greenhouse gases
- Community support and development
- Financial inclusion
- Investor relations
- Reputation
- Responsible investment and financing

Fig. 8

Impact pathway for Santander cycles



Key for Santander UK stakeholders

- Communities
- People
- Shareholders

Key for impacts

- Positive impact
- Negative impact

Key for material issues

- Climate change and greenhouse gases
- Community support and development
- Digitisation
- Investor relations
- Reputation

Fig. 9

Impact pathway for Breakthrough

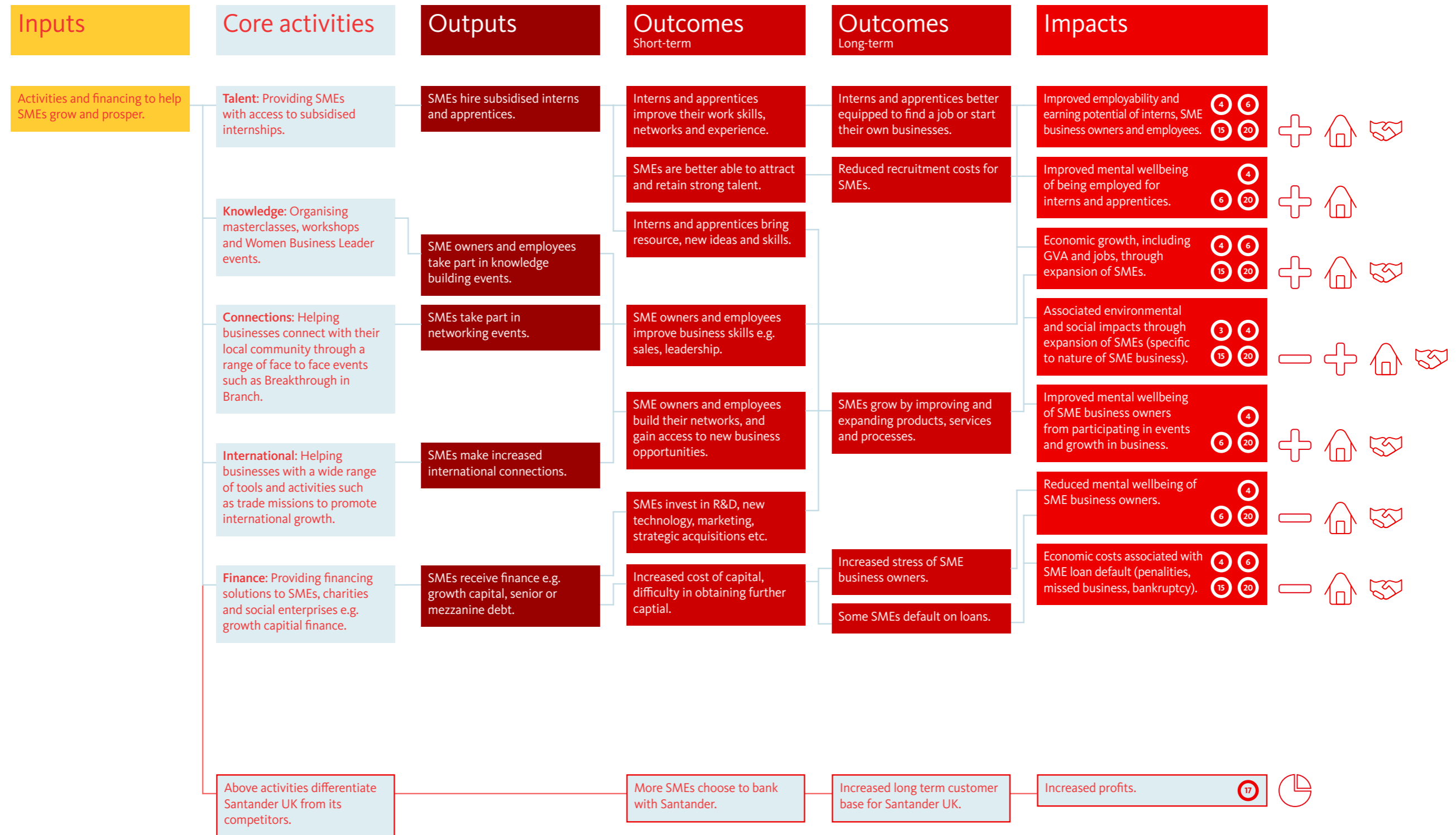


Fig. 10



Assurance statement

SGS United Kingdom Ltd's statement on sustainability activities in Santander UK PLC's Sustainability Report 2017

Nature and scope of the assurance/verification

SGS United Kingdom Ltd was contracted by Santander UK plc to perform Sustainability Report Assurance of the non-financial information contained in the Santander UK plc's Sustainability Report 2017 (hereafter referred to as 'the Report').

The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included following data as it appears in the text and the KPI table:

Total employees (FTE)	Energy used by fuel source (MWh/litres)
Employees by contract type (full-time/part-time)	Water used (m ³)
Employees by ethnic origin, age group	Waste collected (tonnes)
Employees by gender - total and per management level	Waste Diverted from Landfill (tonnes and %)
Average days absent per employee	Paper use per category and total (kg)
Employee Turnover (%)	Renewable Energy Financing (£)
Average length of service (years)	Travel data per mode and total (km)
Pension participation (%)	CO ₂ emissions from fuel, business travel and total (tonnes CO ₂ e)
Colleague engagement (%)	CO ₂ released (tonnes CO ₂ e) per employee
Total number of training days	Discovery Project - investment per category and total
Training days per employee	Discovery Project - people supported
Investment in training	Santander Foundation - investment per category and total
Minor & major accidents	Number of donations
Accidents resulting in over 7-day absence	Discovery Days projects
Customer satisfaction (%)	Number of volunteers per project and total
Number of FCA reportable complaints	Value of volunteering time
Value of procurement (£)	Santander Universities - total donations
Number of suppliers	Santander Universities - number of partners
Payment days beyond terms	Santander Universities - awards total and by category
Number and value of new SME contracts	Santander Breakthrough - total investment
% of contracts with SMEs	Santander Breakthrough - beneficiaries

Our assurance did not include any other text, data or other information contained in the Sustainability Report. All financial data, including all data on salaries, the gender pay gap and taxes paid, was excluded from this assurance. This assurance also excluded all information and data relating to the activities and operation of Banco Santander group, or Banco Santander outside the UK.

The information in Santander UK plc's Sustainability Report 2017 and its presentation are the responsibility of the directors and the management of Santander UK plc. SGS United Kingdom Ltd has not been involved in the preparation of any of the material included in the Santander UK plc Sustainability Report 2017.

Our responsibility is to express an opinion on the data, graphs and statements within the scope of the verification set out above with the intention to inform all Santander UK plc's stakeholders.

This report has been assured at a moderate level of scrutiny using our protocols for evaluation of content veracity. The SGS protocols are based upon internationally recognised guidance, including the Principles contained within the Global Reporting Initiative (GRI) Sustainability Reporting Standards for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

The assurance comprised a combination of pre-assurance research, interviews with relevant employees at the Head Office in London and Milton Keynes; documentation and record review; and validation with external bodies and/or stakeholders where relevant.

Statement of independence and competence

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance.

SGS United Kingdom Ltd affirm our independence from Santander UK plc, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders. The assurance team was assembled based on their knowledge, experience and qualifications for this assignment.

Verification/assurance opinion

On the basis of the assurance scope, the methodology described and the verification work performed, we are satisfied that the verified information and data contained within the Sustainability Report 2017 is accurate, reliable and provides a fair representation of Santander UK plc's activities in 2017.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

Summary of findings

Overall, the communication and presentation of information is appropriate to the size of the bank, and its sustainability impacts, risks and opportunities, and the nature of the Report.

The following recommendations and improvement opportunities are made as part of the assurance to encourage the organisation to continue developing reporting, and more detail is provided on these in the management report.

- We recommend that target audiences are asked for their views on the new Report and the information and data they would like to see included in future
- Inclusion of more detail on how data is put together and the assumptions and conversation factors used, would enable stakeholders to better compare data to other organisations.
- We observed that the figure for % women in senior management positions is reported using two different definitions that result in different figures in different parts of the report. It is important that Santander UK avoids reporting conflicting data sets, as this could lead to confusion among stakeholders. We therefore recommend that future reporting consolidates these definitions to report only one dataset for this topic.
- As social impact and the Discovery Project become more important to the business, reporting of impact and spend in this evolving is changing to reflect new priorities. While this is vital to enable improvements in reporting, it is important that changes are clearly described so the comparisons can be made with previous years.

We also recommend that Santander UK plc considers assurance of the Sustainability Report against the AA1000 Assurance Standard for future reports.

Authorised by:-

H. Crick

UK Business Manager
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