

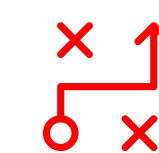
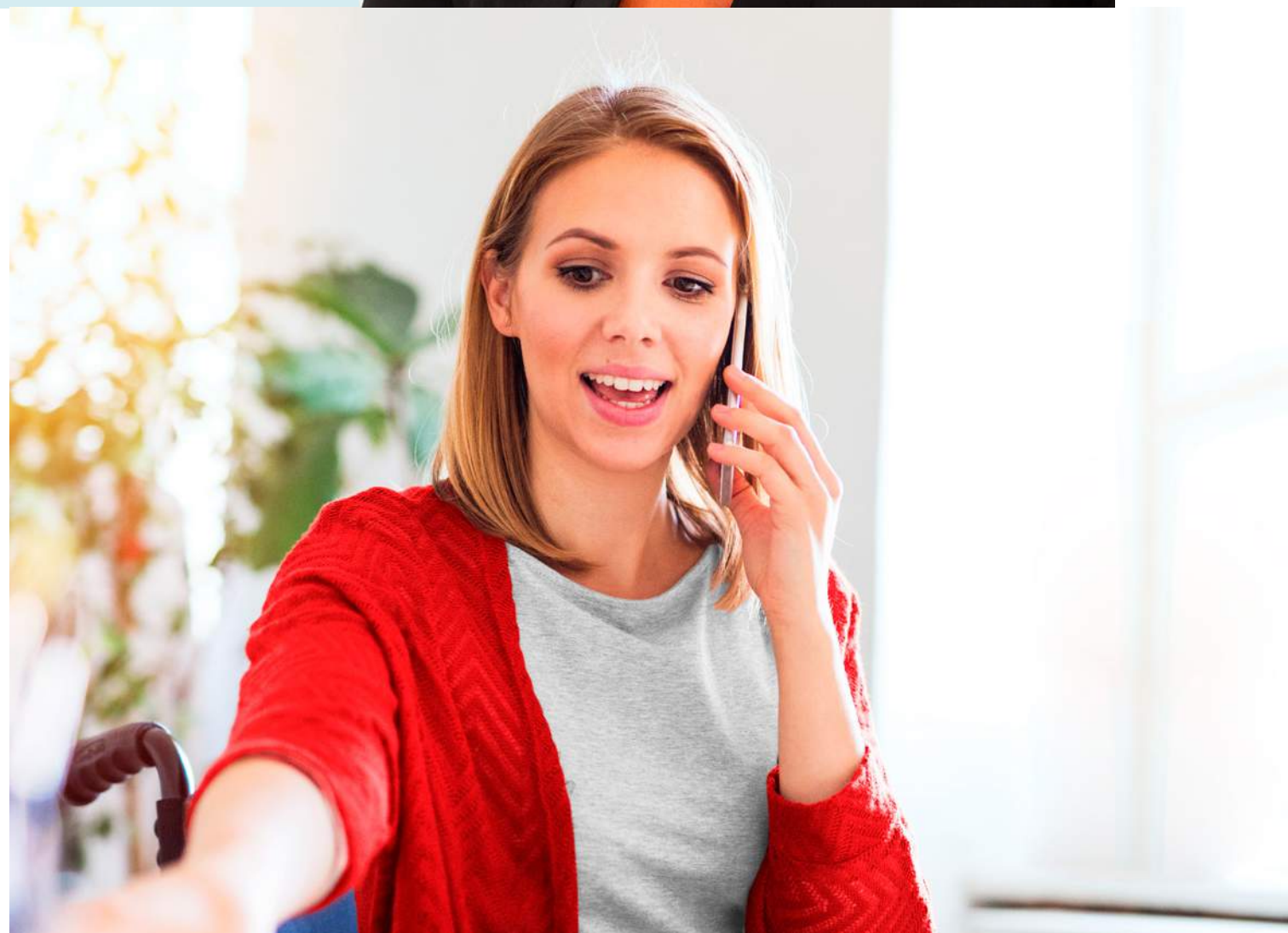
# Sustainability Report 2018

Santander UK Group Holdings plc





# Contents



## Important information for readers

Santander UK Group Holdings plc (the Company) and its subsidiaries (collectively Santander UK or the Santander UK group) operate primarily in the UK, and are part of Banco Santander (comprising Banco Santander SA and its subsidiaries). Santander UK plc is regulated by the UK Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) and certain other companies within the Santander UK group are regulated by the FCA.





## Message from our Chair, Shriti Vadera

Sustainability must be at the heart of every competitive business strategy, as it is for us at Santander UK. We want to build resilience for our bank, whilst shaping a responsible operating environment which will benefit our customers and industry as a whole. As a part of the UK's financial and economic ecosystem, we know that taking a responsible, sustainable approach can have far-reaching consequences; influencing our communities, customers, and business supply chains.

Multilateral initiatives such as the Sustainable Development Goals and Paris Accord on Climate Change, together with a wealth of research and consumer insight around the world, are transforming the way businesses determine and measure long-term value creation. There is also demand for greater transparency and accountability from the financial community, so that the people we serve can better understand and challenge our contribution to them as individuals, as well as wider society. This means going beyond regulation and compliance, and interrogating every aspect of our business activity to demonstrate and quantify the value of good business.

We are committed to achieve this goal at Santander UK, and our second, stand-alone annual Sustainability Report is an important milestone for us. Last year, we launched a new approach to sustainable reporting; completing a materiality matrix to identify our priorities to create a responsible business, and publishing our first Sustainability Report which set out these findings and our future aspirations.

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This year, we have focused our attention on the activities which the materiality matrix clarified should generate inclusive and sustainable growth for both our business and customers. I am particularly committed to measures to improve financial inclusion. Enabling every individual and all communities to understand, access and gain from high-quality financial services is core to our business and critical in creating stability and prosperity for all parts of our society. And while digital transformation can bring many benefits, we also have a responsibility to ensure no one is left behind.

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As is often said, we measure what we value and we value what we measure. A study conducted over twenty years by Harvard Business School revealed companies which report against social and environmental issues offer significantly higher returns on investment<sup>1</sup>. Moreover, McKinsey has found that a sustainable approach is one the most important factors for attracting and retaining employees<sup>2</sup>.

Good businesses know the long-term value of fostering a healthy banking culture, supporting small businesses to create jobs, helping more people to access finance easily and safely, and investing in the low carbon economy. These are our strategic priorities, and the data captured within this new report will help us move towards and benchmark a more holistic evaluation of our bank's economic and social contribution.



<sup>1</sup> Khan, M. Soon, Serafeim. (2015). Corporate Sustainability: First Evidence on Materiality. Cambridge: Harvard Business School. \$1 investment in public companies focused solely on growing, realised \$14.46. \$1 investment in companies focused on environmental and social issues whilst growing, realised \$28.36.

<sup>2</sup> McKinsey: Sustainability's deepening imprint (December 2017).



# Message from our CEO, Nathan Bostock

Our 2018 Sustainability Report is the culmination of a great deal of work by teams across Santander UK, and I am enormously proud of the progress which has been made. Last year, we decided to take a different approach to reporting in order to reflect the fact that sustainability is at the heart of every good business decision and activity.

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As Chief Executive, I aim to ensure that our priorities deliver long-term value for our business, the customers we serve and communities in which we operate. These segments are entirely interrelated, as it is simply not possible to build sustainable success for one and not the others. Good business depends on a strong, healthy society – and vice versa. This new report is helping our bank recognise the reality of this for us; revealing that all our business activity stems from fundamentally sustainable priorities.

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Defining these priorities, as set-out in this report, is helping my Executive Committee team fully appreciate and focus on the key ways we will improve our triple bottom line; for people, planet and profit. Namely, the 'virtuous circle', whereby the products and services which bring financial security and prosperity to retail and business customers, also generate greater resilience and sustainable growth for our bank. Moreover, both the bank and its customers contribute to our communities; supporting supply-chains of small businesses and other consumers.

In particular, we want to harness new technology to bring genuine, inclusive benefit to our customers, including those with particular vulnerabilities or needs. In 2018, we made a strategic choice of new Charity Partner: the Alzheimer's Society. Going forward, their knowledge and expertise will be invaluable in helping our bank to meet a growing area of customer need through dementia-friendly digital banking services.





## 6 | Message from our CEO, Nathan Bostock

Many retail customers are already profiting from innovative, customer-centric investments such as our Digital Investment Adviser, which gives individuals access to quick, high-quality, and personalised investment advice. This is 'financial inclusion' and 'inclusive digitalisation' at work; also demonstrated by our new online mortgage hub, which is being used to renew and purchase around 55% of deals. In 2018, both online and in branch, we supported 27,000 first time buyers.

Our business customers are also benefiting from products such as our new 11213 Business Current Account, which attracted over 6,000 new customers in its first three months. Our Breakthrough programme has provided targeted advice, workshops and growth opportunities to thousands of start-ups and small businesses; including those supported through last year's collaboration with the British Library Business and Intellectual Property Centre. Breakthrough also launched our most ambitious Women Business Leaders' Mentoring Programme to date, supporting female founders and company leaders across the UK.

Meanwhile, our International team is opening up new export markets to UK business, through real and virtual trade missions, webinars, inward trade visits, and tailored research – including our Trade Barometer of business attitudes and challenges.

Finally, we are pleased to be taking a more joined-up approach to climate risk management, by working closely across industry and with other stakeholders. As a result of investment by Santander UK in renewables in 2018, including solar, biomass and wind farms, we are proud to be joint-first in the UK league tables for renewable energy lending; critical in meeting our country's ambitions for a low-carbon economy.

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It is paramount that we recognise and measure the sustainable value of all these activities and more, in order to make the right long-term investments and be truly fit for the future. We want to help people and businesses prosper, which is synonymous with a sustainable agenda. Our new Report will help us take our next steps on this important journey.

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# Our business

Our culture is built on doing things The Santander Way

## Simple

We offer our customers products that are easy to understand and a service which is convenient, no matter when or how they want to engage with us. We make our processes better so they are easy and clear for our customers and our people.

## Personal

We treat our customers as valued individuals, providing a professional service they can trust. We support our colleagues to develop their skills and achieve their ambition.

## Fair

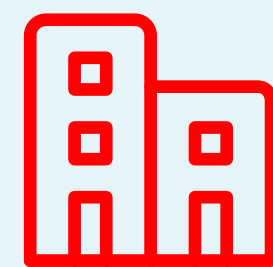
We are open, honest and treat others as we would like to be treated. We earn our investors a sustainable return and do our part to support our communities.

“It’s clear that environmental, social and governance factors directly affect our operating environment and touch all areas of our business. With this report, we want to give transparency to our investors and stakeholders about the value we’re creating by acting responsibly.”

**Antonio Roman, Chief Financial Officer, Executive Director, Santander UK**



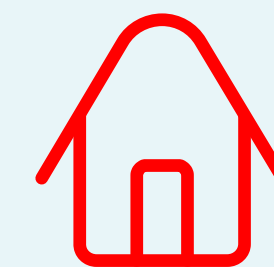
**15 million**  
active UK customers



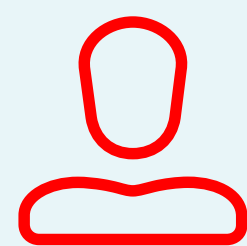
**755**  
branches<sup>3</sup>



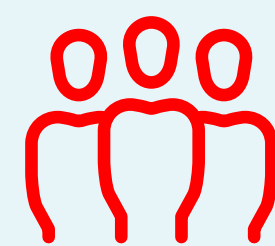
**64**  
Corporate Business  
Centres



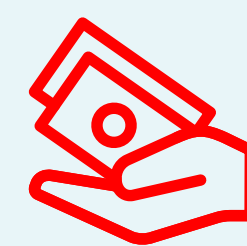
**£199.9 billion**  
customer loans



**£172.1 billion**  
customer deposits



**23,800**  
employees



**£445 million**  
corporation tax paid  
in 2018

## Our business in 2018

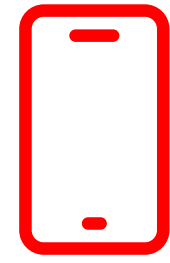
We're uniquely placed as a leading scale challenger.

We have a simple and straightforward business model which focuses on retail and commercial banking customers.

We're a large customer-focused bank and possess the scale and breadth of proposition to challenge the big four UK banks. With our omni-channel approach, we serve our customers through digital channels, in particular mobile, alongside a network of branches and Corporate Business Centres all supported by telephone call centres.

We're aware of our important role in the UK economy and in the communities where we operate. We help people purchase their home, save for the future and support business growth. We employ around 23,800 people and we paid £445 million of corporation tax and £86 million through the UK Bank Levy in 2018.

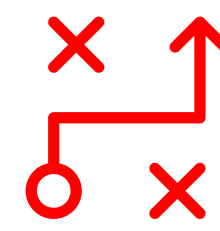
3. As at 31 December 2018. Branches include 52 university branches.



4.8 rating for our updated mobile app on iOS app store.



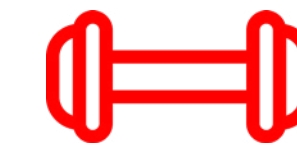
£10.6 million invested in training, focusing on flexible learning and skills for the future.



Launched our Sustainability strategy, based on four focus areas.



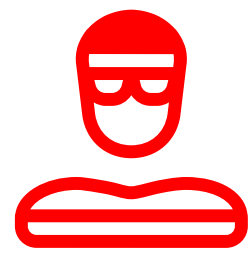
Helped 27,000 first time home buyers with mortgages, up 14%.



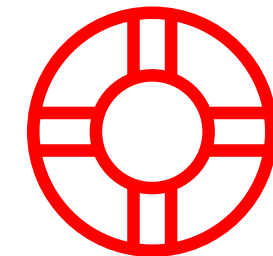
UK's most resilient bank, for the third year running in the PRA stress tests.



Supported 7,900 start-ups and small businesses with investment, training, internships and international exposure.



£38m of fraud prevented through our involvement in the Banking Protocol.



Introduced a unique approach to tackling payment scams, providing guidance and cautions for customers making automated push payments.



Reduced carbon emissions by 11.5% year on year, focusing on remote working and meetings.



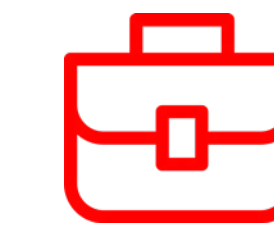
£3.2 million raised in three years for our charity partners Age UK and Barnardo's.



Piloted our vulnerable customers specialist support service with over 7,500 branch colleagues.



Focused on a pipeline of talent, placing for the third year in a row as a Times Top 100 Graduate Employer.



Invested in small businesses with £20.7 million of growth capital funding and £100.7 million of senior debt.



We reached almost 72,000 students, up by 87%, with educational workshops on money management, careers and digital safety.



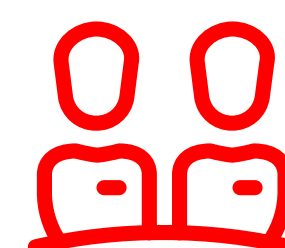
Launched Digital Investment Adviser, helping to make our products accessible to all.



Ranked as joint first lender to renewables.



Top three UK bank based on The Sunday Times Top 25 Best Companies to Work For 2018.



FRS reported that we ranked second in retail customer satisfaction<sup>4</sup> on a rolling 12-month basis at December 2018, achieving our 2018 target.



478 businesses benefited from our events aimed at international growth.



Colleagues completed 56,000 volunteering hours in 2018, a 30% increase from 2017.

4. Retail customer satisfaction as measured by the Financial Research Survey (FRS) run by Ipsos MORI. Please see Appendix 1





# Our Sustainability strategy

We recently embarked on an exciting journey to further embed our purpose to help people and business prosper in every business decision. With our new sustainability approach we seek to be a responsible, ethical business across all our activities. Our values should be reflected in everything we do, from the everyday decisions we take to our long-term plans and goals.

## Understanding our priorities

In 2018, we used artificial intelligence to understand which social and environmental topics are most important to our customers, shareholders, people and communities, and where we can have a real impact.

We know that financial institutions have an important role to play in addressing challenges such as financial crime and financial inclusion, as well as broader systemic issues including the effect that technological change and climate change are having on our lives, our communities and our planet.

The Sustainability report will cover our priority areas, describing our ambition and how we're having an impact through case studies and examples.

## Banco Santander

**We're part of a Group that is committed to being a responsible bank, and aims to tackle two key challenges.**

1. The banking environment: ensuring we have the right culture, skills, governance, digital and business practices to meet stakeholders' expectations.
2. Inclusive and sustainable growth: supporting small businesses to create new jobs, helping people access finance, contributing to the low carbon economy and fostering sustainable consumption.

Our sustainability strategy will enable our business to play its part in addressing these challenges. We are fully aligned to the group priorities and have a shared ambition to be a responsible bank.



## Our sustainability approach sets a framework for action around our material issues, under four main areas.



### Creating a thriving workplace

We aim to create a thriving workplace that attracts, retains and rewards the most talented and committed people. Our culture promotes diversity and inclusion, prioritises wellbeing and develops our people's skills.



### Sustainable economic growth and financial inclusion

We want to deliver long lasting, sustainable growth and positive socio-economic impact not only through our charitable giving and community programmes, but also to our customers through our business operations.



### Inclusive digitalisation

We aim to use technology in a way that creates value for all of our stakeholders and supports financial inclusion. Technology should help simplify our processes, and make services more accessible and convenient. It is our responsibility to ensure best-in-class data security which will help us earn the trust of all our stakeholders.



### Upholding the highest ethical standards and fighting financial crime

Ethics and integrity are the foundation of a prosperous business and society. We're determined to uphold the highest ethical standards, promote human rights and responsible corporate culture.

Delivering on our purpose of helping people and businesses prosper and on our strategic priorities.



### Business strategic priorities 2016-2018

- Grow customer loyalty and market share.
- Deliver operational and digital excellence.
- Achieve consistent, growing profitability and a strong balance sheet.
- Live The Santander Way through our behaviours.
- Support communities through skills, knowledge and innovation.

“I’m passionate about our Sustainability strategy and ambition for the future. We’re working hard to integrate this strategy across the business, at every level and in every business decision. If we work together, we can unlock the possibility of a better world.”

**Keith Moor, Chief Marketing Officer, Santander UK**

### Main UN Sustainable Development Goals impacted by our strategy





# Creating a thriving workplace



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## Our ambition

**We want to create a thriving workplace that attracts, retains and rewards the most talented and committed people. Our culture promotes diversity and inclusion, prioritises wellbeing and develops our people's skills.**

### What this means for us

We know that talented people want to work for companies that act responsibly and are driven by a purpose that goes beyond profits. Likewise, we want to be a company of choice for people who share our values and passion for helping people and businesses prosper.

We want to create a bank that is representative of the society we operate in and where all employees can have a voice and are able to bring their true selves to work. Where our people feel comfortable, confident and empowered no matter their age, race, religion, gender, sexuality, ethnicity or disability.

Our culture of Simple, Personal and Fair is underpinned by our [nine behaviours](#), enabling our colleagues to thrive and provide great outcomes for our customers.



## Context

### Mental health at work

Studies<sup>5</sup> have concluded that the UK faces a significant mental health challenge at work. There is a cost to large employers of over £33 billion per year, but more importantly a significant human impact. Businesses have an important role to play in promoting health and wellbeing in the workplace.

### Skills for the future

The banking industry is facing unprecedented change in the way we serve and interact with our customers, driven by advances in technology. From a cultural perspective this means we need to plan carefully to ensure we are clear about the roles and skills we need for the future. The development of our colleagues and how we manage our talent is key to helping them meet these challenges.

“Investing in our people allows us to be fit for the future with skilled and engaged colleagues who can truly thrive at Santander. We continue to focus on creating a great place to work”

**Vicky Wallis, Chief HR Officer, Santander UK**

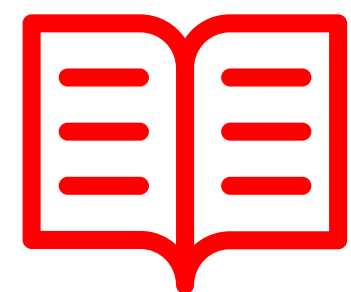
5. Thriving at Work: a review of mental health and employers, Lord Dennis Stevenson and Paul Farmer, 2017.



# Attracting and rewarding talent

## Emerging talent

Our support of apprenticeships has continued to expand and in 2018 we had over 500 apprentices across 15 different schemes which cover a range of levels up to degree level programmes.



**Over 500**  
apprenticeships  
in 2018

We also have over 200 graduates on programmes across the bank. We have been ranked for the third year in a row as a Times Top 100 Graduate Employer.

During 2018 we continued to expand our 'Emerging Talent' programme which supports local schools and colleges, helping identify and develop new talent.



We've delivered 'WorkWise' sessions to over 8,300 students in schools and colleges across the UK, an increase of 158% on 2017. These sessions help students consider the different routes to employment, and develop CV and interview skills. We provided 200 work experience opportunities in 2018, including supporting social mobility with partners Career Ready and National Citizen Service.



## Reward

We provide our people with a competitive package of pay and benefits, to reward them for their individual contribution to the business and our sustainable performance. In 2018, 35% of our people participated in one or both of our two HMRC-approved all employee share schemes and 88% of our people participated in our pension schemes. We are a Living Wage and London Living Wage employer. We have strategic relationships with Advance and the Communication Workers Union (CWU), our two recognised trade unions.



**88%**  
of our people participated  
in our pension scheme



**200**  
work experience  
opportunities in 2018



**158%**  
more Workwise  
sessions delivered  
compared with 2017





### Investing in training

We have made a number of enhancements to our learning content throughout 2018, with further improvements in plan for 2019. Our strategy is to produce engaging and motivational learning content, deliberately moving towards high quality digital learning.

In 2018, our people undertook 73,933 development days and we invested £10.6 million, equipping them with the skills they need for now and in the future, including digital skills.

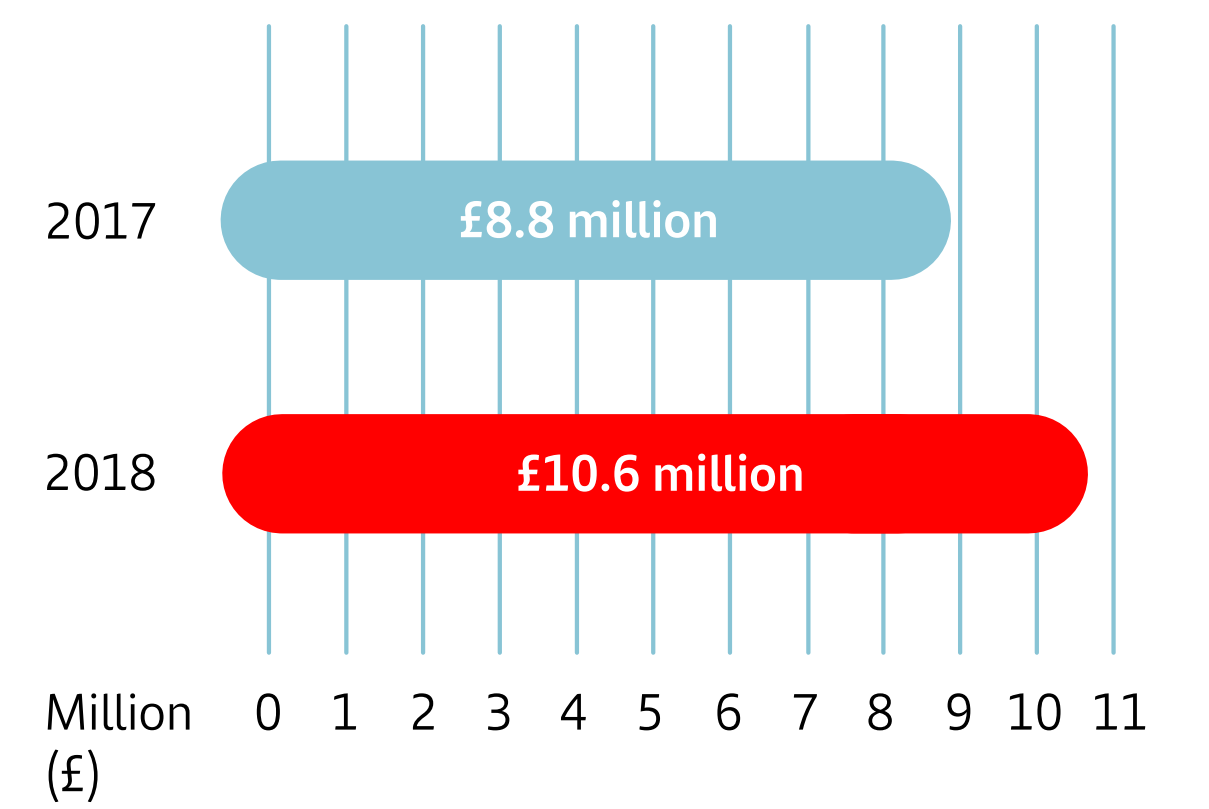
In order to maximise opportunities for our people, new-to-role training in the retail bank is now delivered through a Virtual Academies programme. This approach means our people no longer have to travel and spend time away from home, but instead can learn new roles in their local work environment, providing greater flexibility.

### Skills for the future

We remain passionate about equipping our people with the skills they need to prosper in the future, and our Agile training programme is helping us to achieve this.

We recognise there is a need to promote the breadth of opportunities which are available in our technology and cyber teams. In 2018 we partnered with the National Cyber Security Centre and delivered our first Cyberfirst event in Leicester. This was a one day course delivered to more than 80 students aged 11 to 14; showcasing the varied roles and jobs that use technology in the workplace, in order to enthuse and inspire the participants.

### Investment in colleague training





# Diverse and productive teams



## Smarter working

Our aim is to enable our people to work in the way that best suits their needs, the needs of the business and our customers. Our 'smarter working' programme supports our performance management strategy and allows for greater collaboration, efficiency and flexibility. By working smarter, our people can choose the best place to work, helping them to optimise their productivity and establish a better balance between their work and personal lives.

Following our smarter working pilots, perceptions of the working environment in those areas improved by 47% on average.

## Prioritising wellbeing

Our focus on wellbeing covers physical, mental, financial and social wellbeing.

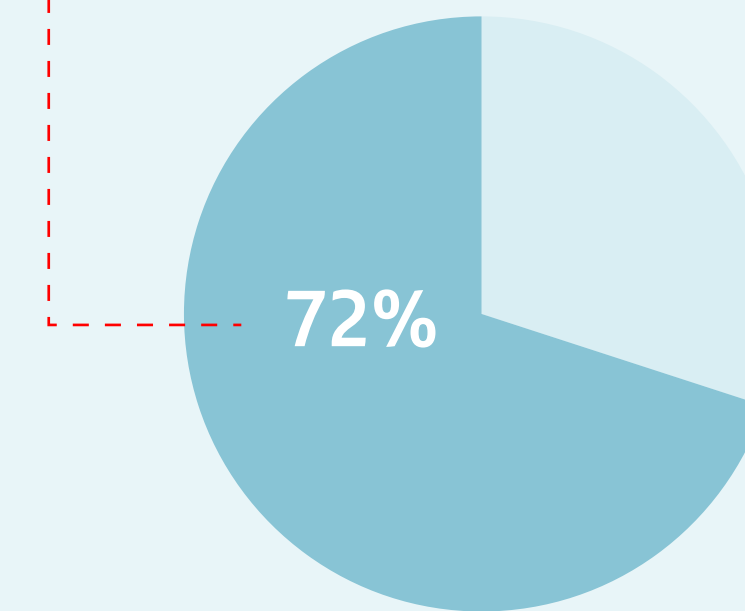
In 2018, we placed greater focus on mental wellbeing, aiming to challenge stigma and support our colleagues' mental health.

We launched our Mental Wellbeing employee-led network, a hub to help our people speak up and give support. The network is rapidly growing with over 1,300 members. We provide free access to Thrive's Mental Wellbeing App, provide support via The Bank Workers Charity and over 2,400 of our managers across the bank have completed our 'Positive about Mental Health' training.

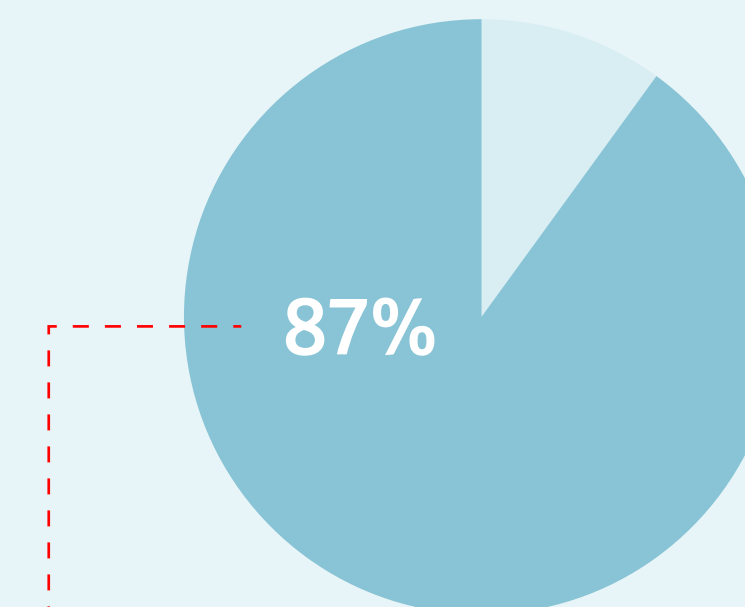
During 2018 we partnered with Nudge to offer an interactive tool to support colleagues' financial wellbeing.

We expanded our partnership with Gympass, whose growing network of gyms and classes now help over 2,000 of our colleagues find an activity they love to improve physical wellbeing. In social wellbeing we continued to support our six employee-led networks which collectively have over 10,000 colleagues from across the bank.

2018 engagement score of 72%

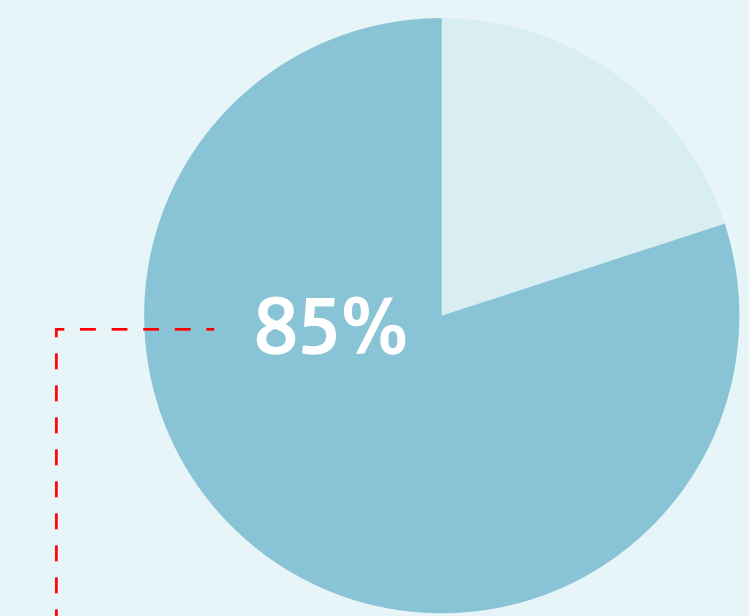


2018 employee survey results



87% of employees agree that we act responsibly and make a positive contribution to society

85%



85% of our people agreed that we created an environment where people of diverse backgrounds can succeed

We run an comprehensive annual engagement survey which is open to all our employees. This provides significant insights as to how our colleagues feel about Santander as a place to work. From this we create action plans to focus on our strengths and areas to develop.







## Building a bank for everyone

We want to create a bank that's representative of the society we operate in. We have a number of initiatives, programmes and training designed to build inclusivity across our business.

These include our employee-led diversity networks, a returnship programme, and women's leadership development. We partner with organisations such as Business in the Community (BiTC), Stonewall, Business Disability Forum, INvolve and Working Families. In 2018, we signed the BiTC Race at Work Charter, committing to taking more action to support ethnic minority career progression and analyse our ethnicity pay gap data. We also increased our support for Pride in 2018, joining 11 events across the UK along with a campaign of visual support via our cash machines and branches.

As of 1 January 2019

## Gender pay

Our gender pay and bonus gaps reflect our organisational structure. We have proportionately more women than men in our branch and customer service centre roles, and proportionately more men in our senior leadership team. In December, we reported a mean average gender pay gap of 33.6% (-1.7pp from 2017)

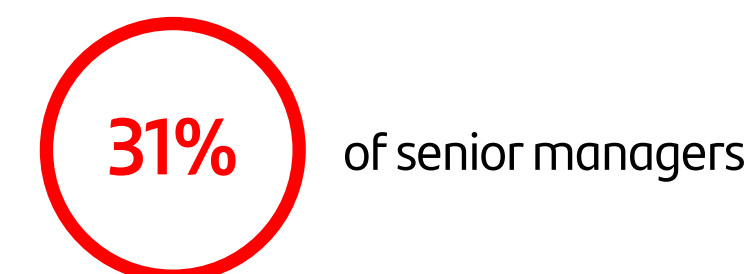


and a mean average gender bonus gap of 68.1% (-1pp from 2017). While we are pleased there has been some progress in our gender pay gap, there is still much to do.

We are committed to addressing this gap through transparency, understanding the root causes of issues and finding solutions that are both practical and beneficial to employees. Further details on our journey to create an inclusive culture and our latest annual Gender Pay Gap report are available [here](#).

In June 2016, we signed the HMT Women in Finance Charter, setting a 50% (+/-10%) gender target for our senior female population over five years. In recognition of our approach to creating a gender diverse bank, we were a Times Top 50 Employer for Women in 2018.

## Women represent:





# Our impact

## Case study: 'Equal Lives' research

Our cutting-edge 'Equal Lives' research in partnership with BiTC uncovered the societal and organisational biases that exist among men and women with caring responsibilities and how these can impact women's career progression.

The research comprised of a series of focus groups, in-depth interviews, detailed case study analysis from large UK employers, semi-structured interviews and an online qualitative survey. In total, there were 82 interviewees and 10,225 survey participants.

### What did we learn?

- Women are 8x more likely than men to take the primary role in childcare and are 1.5x more likely to take the primary role in caring for adults.
- Two in three men said they would be encouraged to use family-friendly policies if they were confident that it would not impact their career.
- Flexible working is considered most important when it comes to balancing work and care. However, take up is significantly lower than its perceived importance.

Read the full study [here](#)

### What have we done?

As a result of the research, we identified several areas of improvement in our own business. In 2018, we:

- Increased transparency of our family-friendly policies on our careers site.
- Advertised flexible working adjustments on all job adverts.
- Doubled our paternity leave pay benefit across the organisation.
- Launched a pilot 'Carers Passport' to prompt colleagues who are carers to consider how their caring responsibilities impact their role and what support they need.
- Extended our parental leave to carers.

Additionally, we have enhanced our Shared Parental Leave policy to give colleagues more flexibility and choice over when they can take their leave. This allows them to take paid shared parental leave at any time within 12 months of the birth or adoption of their child.

### Role models

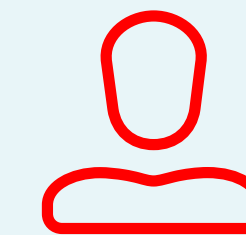
Role models are essential for creating greater diversity within businesses. We're proud that seven colleagues have been externally recognised for their inclusive leadership, including four of our senior leaders. These benchmarks help identify future leaders, advocates and executives and are published in partnership with the

Financial Times.

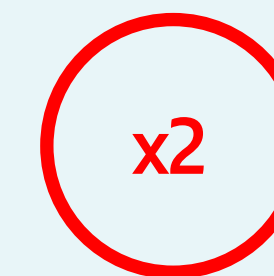
- The EMpower list for support of BAME diversity.
- The OUTstanding power list for support of LGBT+.
- HERoes Role Models for support of gender diversity.



**More transparency**  
of our family-friendly policies  
on our careers site



**Extended**  
parental leave for carers



**Doubled our paternity  
leave pay benefit**  
across the organisation

## Grand Prix award for our training video

The transformation of our learning content has been recognised by an award for our new 'Vulnerable Customers' learning programme which will launch in 2019.

High quality, inspiring internal videos based on real customer stories have been developed to provide plenty of food for thought. The first episode was entered into the Cannes Corporate Media & TV Awards and won two separate awards including the overall Grand Prix award, a truly prestigious award in its field.









# Our ambition

**We want to deliver long lasting, sustainable growth and positive socio-economic impact not only through our charitable giving and community programmes, but also through our business operations.**

## What this means for us

As a bank, our main activities need to deliver returns not just for our shareholders but also to benefit our society more broadly. To us, sustainable economic growth means taking everyone with us on this journey, ensuring non-traditional businesses and those financially excluded have access to the right services and tools.

We'll do this by promoting financial inclusion for people and businesses, supporting the growth of Small and Medium Enterprises (SMEs) and social enterprises and considering the risks and opportunities of climate change in the way we do business.

Our support of our vulnerable customers, helping small businesses grow and prosper through our 'Breakthrough' programme and advancing education through our universities scheme are just a few examples of our commitment to drive sustainable economic growth.

## Context

### UK politics

The uncertainty surrounding the UK's exit from the European Union is presenting challenges for the UK economy, including an additional lag on business investment. There are also risks attached to the type of exit the UK takes from the EU and so we are changing the way we assess customer needs to take account of these new factors.

### Climate change

Climate change is a shared global challenge and an increasing area of focus of the Bank of England and other regulators. Both the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) issued papers in 2018 on climate change risk management, building on the Financial Stability Board's Task Force recommendations. Banks are being challenged to embed climate change risks in governance arrangements and risk management practice.

### Financial inclusion: Small and Medium Enterprises

Small and Medium Enterprises (SMEs) play a critical role in the economy. They employ around half the UK private sector workforce and drive job creation. Our research shows that UK SMEs have created three times as many jobs over the last five years than the UK's large firms. However, access to finance is the main barrier to their growth, especially loans and equity finance.



“With advances in technology and evolving customer behaviour, we are seeing changes to the way many customers access and use financial services. This means it's more important than ever to keep customers at the heart of our business, especially those most vulnerable. That's why I'm so excited for our new partnership with Alzheimer's Society, aiming to make us the UK's best digital dementia-friendly bank.”

**Susan Allen, Head of Retail and Business Banking, Santander UK**



# Financial inclusion

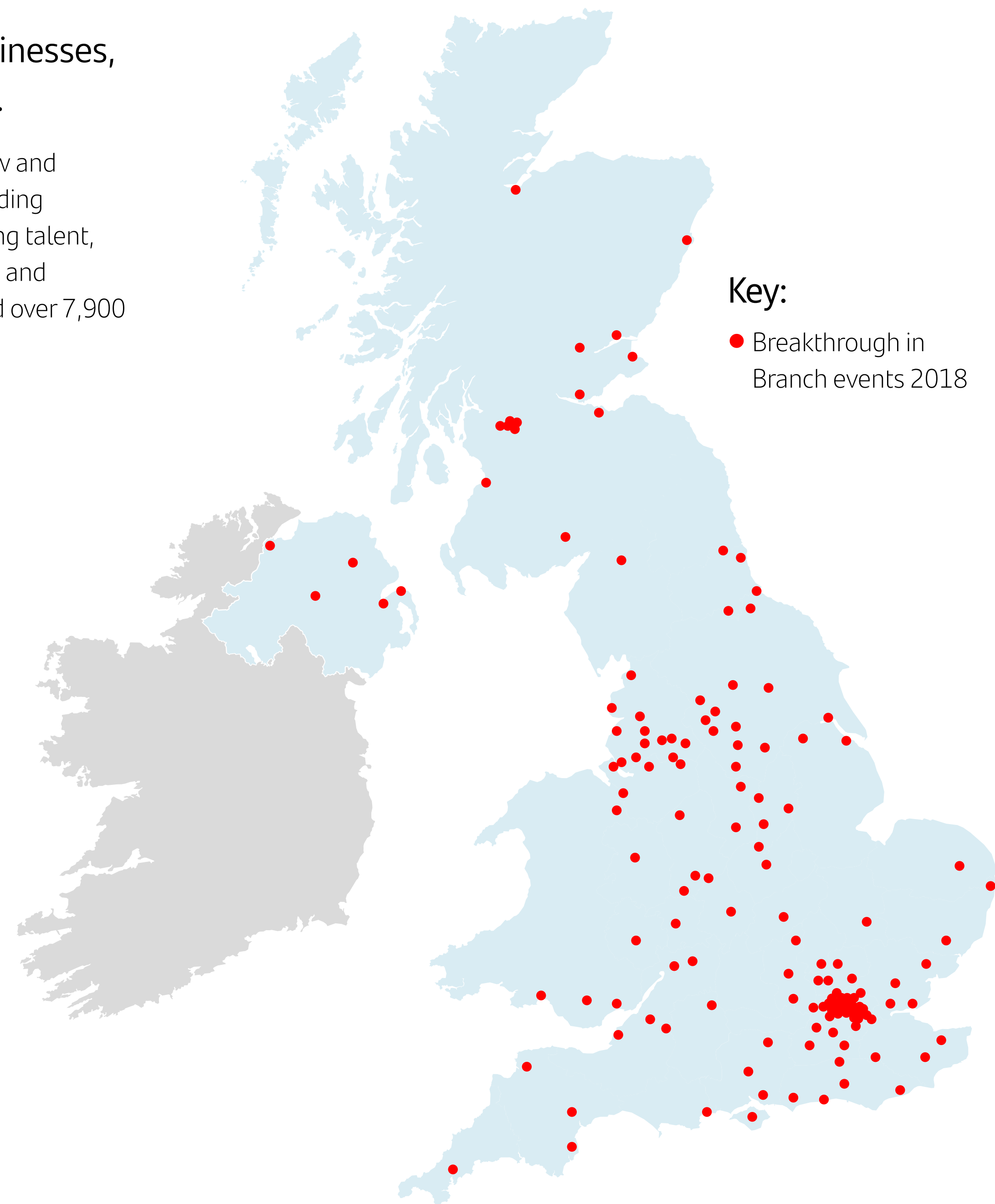
We are proud to champion British businesses, from start-up to scale-up and beyond.

Santander Breakthrough helps ambitious SMEs grow and prosper through a range of activities focused on building connections, gaining knowledge, finding and retaining talent, and accessing opportunities for international growth and finance. During 2018, we're proud to have supported over 7,900 businesses through these activities.

## Tailored support for start-ups and SMEs

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

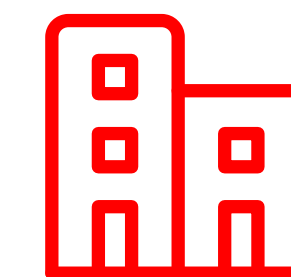
- In 2018, over 4,200 businesses attended one of 193 Breakthrough in Branch events, which connect business owners to their local business community across the UK.
- We're proud to continue to support female entrepreneurs through our Women in Business mentoring scheme in collaboration with Women Ahead.
- Our Liverpool city incubator helps support start-up founders, 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 2018, we provided tailored support to 28 businesses.



We also organised knowledge masterclasses and workshops with some of the UK's most innovative companies, including Auto Trader, The Royal Mint and The Young Vic. Over 550 businesses benefited from practical solutions to grow their business across a wide range of topics including brand-led growth, cyber security, communication and leadership.

More than 1,700 SMEs have benefited from the Santander Universities Internship Programme and its access to subsidised internships from over 80 partner universities.

In 2018, Santander worked with the British Library to pilot a one-stop-shop for start-ups and SMEs through its national network of Business and Intellectual Property centres. The collaboration offered support beyond everyday banking, including advice on securing intellectual property and free market intelligence.



4,200

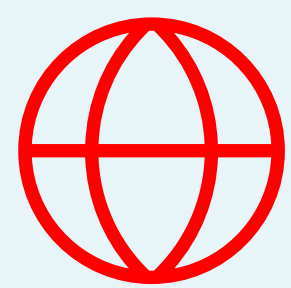
businesses attended Breakthrough in Branch events



## Global ambitions

Beyond everyday banking, we helped businesses achieve their global ambitions, with 478 companies benefiting from 67 activities aimed at supporting international growth. These activities included a range of overseas and virtual trade missions in addition to webinars, roundtables and 'meet the buyer' events.

One trade mission in conjunction with the Food & Drink Federation and the Department of International Trade took 12 UK food and drink manufacturers to India, showcasing opportunities for manufacturers looking to export to the Indian food and drink sector, which is forecast to grow by 64% to £500 billion by 2020.



**478 companies**

benefiting from 67 activities aimed at supporting international growth



**5 Stars**

The 11213 Business Current account was rated as 5 Stars by Moneyfacts

## Case study: RentalStep

Santander UK's incubator programme aims to accelerate the growth of start-ups and small businesses through day-to-day business support, office space and funded interns. RentalStep was founded in 2016 with the aim of making the renting process better for both tenants and landlords, and has benefited from our incubator programme since 2017, with a total investment of over £600,000.

During a hugely successful 2018, RentalStep secured further funding as part of HM Treasury's Rent Recognition Challenge. Customer acquisition has continued to grow in the three months following the investment, with a 500% increase in private tenants accessing their online services. RentalStep's growth has led to job opportunities, with a new technical role thanks to the initial funding, and a further two developer roles and a customer role created.

## Shaking up the SME switcher market

In 2018 we launched the new 11213 Business Current Account, to shake up the market for SMEs. This innovative, value-adding account gives businesses up to £300 cashback per annum, access to 11213 Business World preferential rates and offers, and a monthly cash deposit limit of £1,000 at Santander branches and Post Office counters. The account has been rated as 5 Stars by Moneyfacts.







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We are committed to taking into account the needs and expectations of all our customers.

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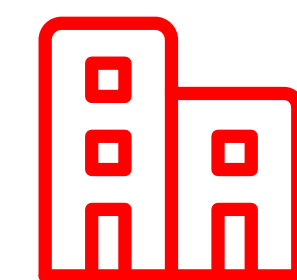
### The future of branches: our approach

Banking habits are changing rapidly. Customers are increasingly using digital channels to carry out their banking rather than over the counter at our branches and we expect this trend to continue across the industry. With customers expecting continued investment in our digital banking platforms, we have had to review our branch network to ensure that we have a model that is fit for the future. As a result of this, in January 2019 we announced that we would be restructuring our branch network, including closing 140 branches.

We are a signatory to the Access to Banking Standard, which ensures open and fair communication when banks decide to close branches. In 2018, we closed 46 branches in line with this standard and the changes in 2019 will also be carried out according to these obligations.

Our branches remain a vital channel, and we are committed to maintaining a comprehensive national network. In 2018, we completed the refurbishment of 507 branches, and in order to deliver a branch network for the future, we will refurbish a further 100 branches over the next two years with an investment of £55 million. We will introduce community branches with spaces to host events catering for the financial needs of our customers, such as fraud awareness workshops or Breakthrough in Branch events. Meanwhile, smaller branches will use the latest technology to offer customers convenient access to services.

Santander customers can also access over the counter banking services through any of the Post Office's 11,500 branches across the UK. This service is offered by 27 UK banks and provides a convenient way to bank for many customers. In areas where we close branches, our teams work closely with Post Offices to ensure local customers are aware of the banking services available.



**£55 million**  
investment in our branches  
in the next two years



### Specialist support team for vulnerable customers

We remain committed to providing support for our vulnerable customers and have continued to make improvements in this area in 2018. A key focus has been making a dedicated specialist support team available to all colleagues in our national network of branches. This has helped us provide tailored support to almost 900 vulnerable customers with complex or particular needs.

Through UK Finance, we're also active members of the Financial Abuse Working Party, and have committed to the Code of Practice developed to support and protect victims of financial abuse.

### Personalised and proactive support for customers

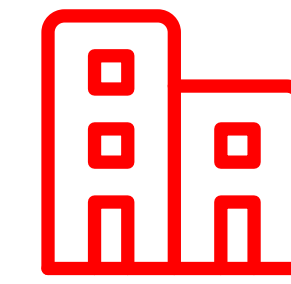
We recognise that vulnerable customers need to be treated with care and attention when their local branch is closed. That is why we will proactively contact them to ensure they are supported and advised on how they can continue to bank locally.

Where needed this can include walking with customers to the Post Office to introduce them to the Post Office team and demonstrate how they carry out transactions. We can introduce them to staff in a neighbouring Santander branch or help customers switch their account to another nearby provider. Our people will also take the time to talk to vulnerable customers about how they bank, changing the frequency of statements, ordering cash cards and demonstrating how to use cash machines and contactless cards.

### Money Advice Trust

Santander and the Money Advice Trust (the Trust) have a long-standing partnership to ensure that thousands of people in financial difficulty, regardless who they bank with, are able to access free, impartial debt advice. We support National Debtline and Business Debtline with vital funding.

The Trust empowers people to engage with their banks and understand more about the financial challenges they face. This in turn helps to ensure our customers become more resilient, equipping them with the skills they need for a stable financial future.



#### Specialist Support Team

rolled out to over 7,500 branch colleagues



#### Providing support

for almost 900 vulnerable customers with complex needs





# Environment

## Climate change

We understand that the banking sector has an important role to play in the transition to a low carbon economy, which presents both risks and opportunities for our business. Large investment in renewable energy infrastructure is needed to fund this transition. At the same time, we must continue to improve our understanding and application of climate change risk to our lending activity.

## United Nations Pilot Project

In 2017 Banco Santander, together with 15 other leading banks, joined a United Nations Environmental Programme Financial Initiative (UNEP FI) aimed at implementing recommendations from the Financial Stability Board's Task Force for Climate-related Financial Disclosures (TCFD). This involved developing scenarios, models and metrics to enable scenario-based, forward-looking assessment and disclosure of climate-related risks and opportunities. In 2018 two outcomes were published: the first, a guidance focusing on transition risk (Extending Our Horizons: [accessing credit risk and opportunity in a changing climate](#)) and the second, a report that helped banks assess risks and opportunities arising from physical risk ([Navigating a New Climate](#)).

As part of the UNEP FI pilot project, Banco Santander's risk function has been working on applying methodologies and tools to stress test specific sectors and build expertise on the analysis of transition and physical risks. Climate change is included in the risk section of our annual reports at both a UK and Group level.



**£922 million**  
of debt financing to 19 renewable  
energy projects in 2018<sup>6</sup>

## Renewable financing

We are one of the largest renewable energy financiers, ranking jointly as the number one lender to the sector by number of transactions in 2018 in Europe and the UK.<sup>7</sup>

Our Project & Infrastructure Finance team provides financing to onshore and offshore wind, solar and biofuel projects, both at a preconstruction 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.

In 2018 we provided £922 million in debt financing to 19 renewable energy projects. Each of these projects support our common objective to decarbonise society by producing renewable energy and reducing overall energy consumption.

## Climate change risk

We recognise that climate change is a significant global issue and support the objectives of the Paris Climate Agreement on limiting emissions. In response to recent developments from the PRA, the FCA and the Financial Stability Board's Task Force (TCFD), we welcome an industry-wide approach to enhancing our climate risk management practices, governance and disclosure statements.

In 2018, we formed a cross-functional working group on climate change to shape our response in this rapidly developing area. We are working alongside other industry participants, as well as engaging with our investors and other stakeholders.



6. To be consistent with prior year reporting this figure includes business that was transferred in 2018 as part of our ringfencing, and now sits within Santander London Branch.

7. Inframation Renewable league tables UK, 2018



## Internal environmental performance



**Electricity usage fell by 4.9% in 2018**

### Robust management

Internally, we have a robust environmental sustainability practice involving multiple stakeholders across the business as well as governance through a dedicated Sustainability Working Group (made up of senior managers across the business). Our Environmental & Energy Management Systems provide an operational management framework across our 15 main offices and data centres in the UK. Smart meter technology allows us to track the energy performance of our properties, helping us to reduce energy wastage by optimising our plant operation. In 2018, we successfully recertified the ISO 14001 and ISO 50001 accreditation across all of these properties.

We have a Go Green Network of more than 2,700 employees championing initiatives to be more environmentally friendly, such as a successful plastic reduction campaign in 2018.

### Ranking second of UK banks for emissions reduction

For the third year in a row, Santander has ranked second among the top five retail banks in the UK for environmental performance related to the UK CRC (Carbon Reduction Commitment) Energy Efficiency Scheme. Since 2010, we have reduced our emissions year on year.

Our significant reductions can be attributed to a switch to more efficient energy sources, a move away from coal, and a reduction in energy consumption. Electricity usage fell by 4.9% and gas usage by 3.0% in 2018.

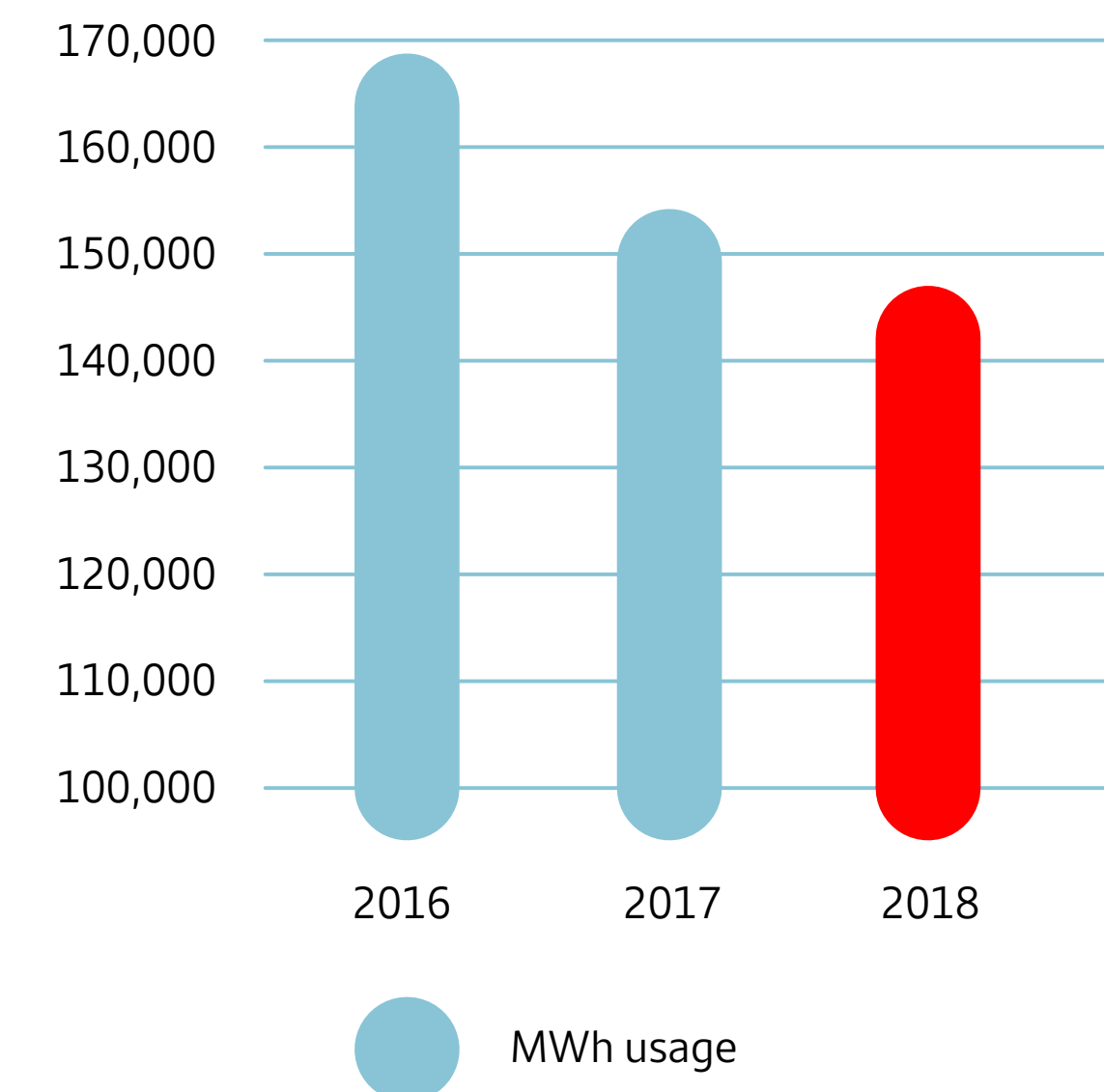
Our electricity is sourced entirely from green supplies including biomass, wind and water.

Over 99.6% of the waste generated through our operations (primarily paper, plastic, aluminium, glass and food), is either recycled or diverted from landfill. 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.

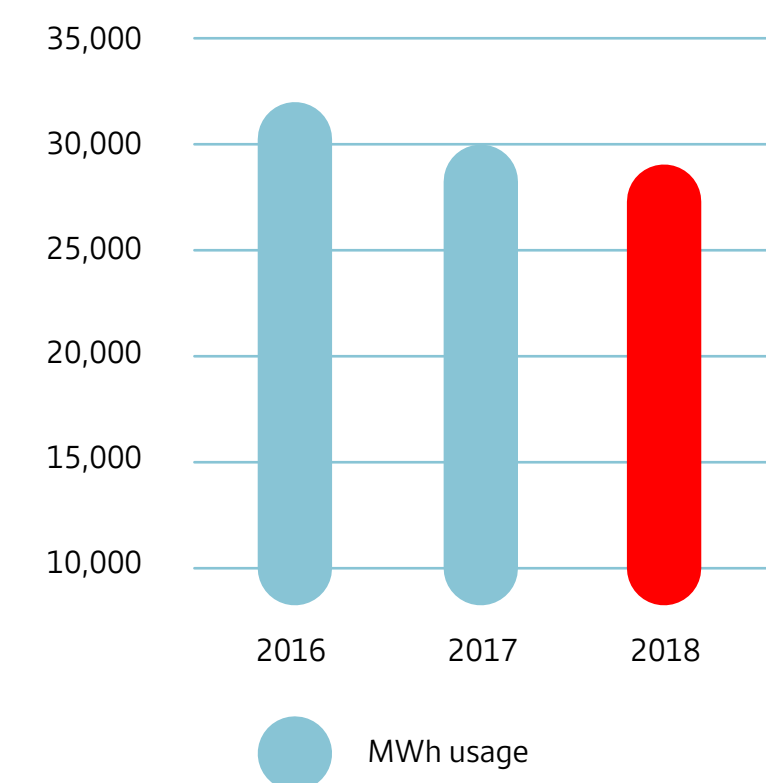
**99.8%**

**Over 99.8% of waste is ethically recycled or diverted from land fill**

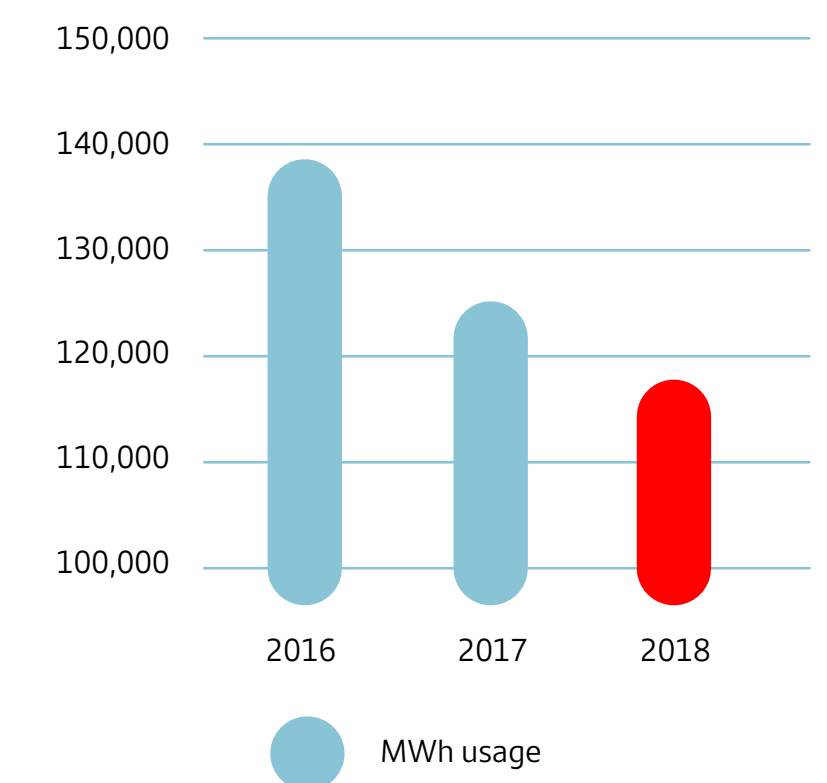
**Total energy usage (MWh)**



**Gas usage (MWh)**



**Electricity - Green Biomass (MWh)**





# Community investment

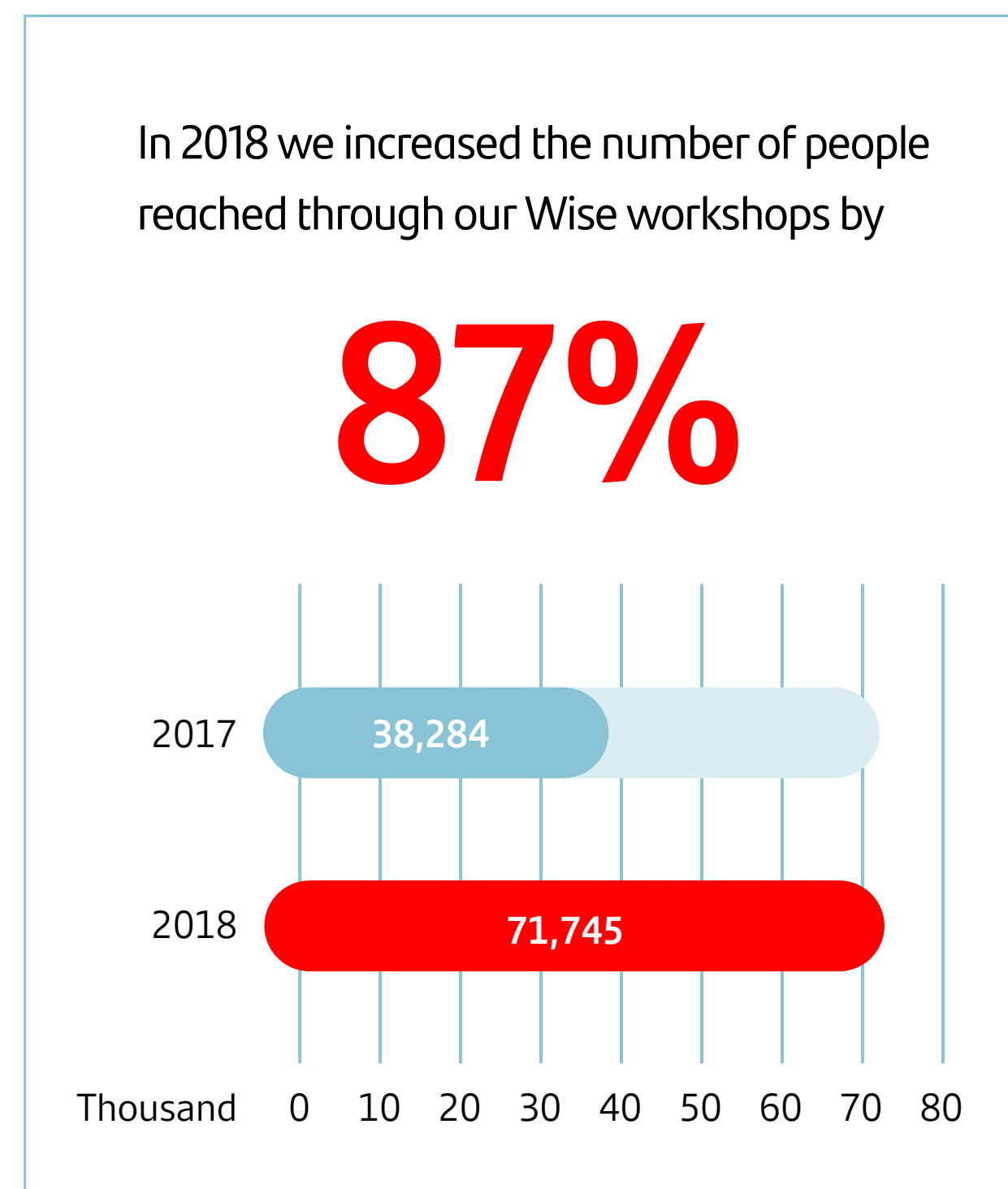
We support and invest in communities across the UK to foster sustainable economic growth.

## Helping our communities prosper

Our volunteering and fundraising in 2018 focused on building skills, developing knowledge and supporting innovation. Our people had the opportunity to volunteer for local community organisations, and we saw over 11,500 colleagues engage with this programme during 2018. Through work experience initiatives with our partners National Citizen Service and Career Ready, we offered work opportunities to students from all backgrounds, which help swell the talent pools needed by all businesses and the wider economy.

## Santander Foundation

In 2018, the Santander Foundation awarded over £3.3 million in grants to almost 700 organisations to deliver projects that improve skills and knowledge and promote innovative solutions to help disadvantaged people in the UK. In addition, the Foundation donated over £2.1 million through the Staff Matched Donation Scheme to support our employees' fundraising for charities of their choice. In 2019 the Foundation will undergo a strategic review to redefine its purpose and activities with the ambition to deliver the greatest positive impact in our communities.



## Educational workshops

We further developed our popular in-school mentoring programme, 'Wise workshops', where Santander volunteers teach students about topics such as responsible money management or career planning, to include a new module around staying safe online. These workshops soared in popularity in 2018, with enthusiastic uptake by colleagues. The number of workshop students rose by 87%.

## Our ambition is to become the best digital dementia-friendly bank in the UK

In January 2019, we welcomed Alzheimer's Society as our new charity partner, chosen by a colleague vote.

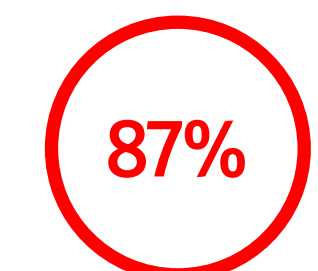
Our aim is to become the best digital dementia-friendly bank in the UK. The focus of the partnership will be to improve financial inclusion and help those within our communities who may struggle to cope with new technology, as well as fundraising activities and volunteering. Together with Alzheimer's Society, we'll seek to explore ways in which we, as a bank, can make a difference. We'll work closely with the charity to better understand and respond to the needs and challenges of both our customers who may be affected by dementia, and their carers.



**397,466**  
people reached  
in 2018



**Over £5.4 million**  
awarded in grants and matched  
donations by the Santander  
Foundation in 2018



**Workshop students  
rose by 87%**  
in 2018



## Santander Universities

Santander Universities is our global programme to support and advance education. Since 2002, Banco Santander has donated over €1.6 billion to universities across the globe.

'Vision 2020' sets out our aim to provide impactful, diverse and inclusive support to future talent through education, entrepreneurship and employability programmes. Our goal is to provide life-changing opportunities to more people over the next three years than we have in the previous ten. We'll ensure 80% of recipients are from widening participation backgrounds and aspire to an equal gender balance.

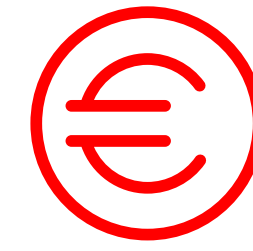
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**In the UK we've donated over £79 million to 84 UK partner universities in the last eleven years.**

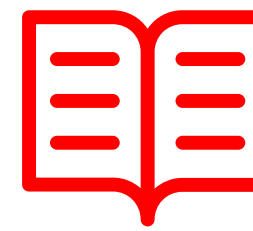
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In 2018, we directly supported more than 29,000 students, graduates and university staff. We also funded internships for students and graduates in SMEs across the UK, supporting 2,262 internships with 38% of students going on to further employment. Our aspiration is to achieve a 75% employment rate from these internships by 2020.

We also run the Santander Universities Entrepreneurship Awards. In 2018, we included an 'Accelerator Week' to provide 18 of the best start-ups with 15 masterclasses from experts and business leaders. Our £1 million Enterprise and Entrepreneurship Fund, launched with 15 partner universities, aims to help students start, run or scale a business.



**Over €1.6 billion**  
donated by Banco Santander  
group to universities since 2002



**More than 29,000**  
people supported by our  
Universities programme in 2018

## Santander Cycles

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

Cycling can help improve physical and mental health by encouraging an active lifestyle, as well as boosting productivity at work. Public cycling schemes can also support local economies, by providing residents and tourists with an alternative way to travel and commute. This can mean that local businesses receive more exposure, with increased choice for more customers. In addition, cycling can avoid air pollution and greenhouse gas emissions caused by cars or taxis. For more findings, please see our impact pathway, conducted by PwC, in the 2017 Sustainability Report.



## Social enterprises and community projects

We know from our research with Social Enterprise UK that small, socially-focused organisations can struggle to access the finance they need to realise their full potential. The Changemaker Fund, running from 2017 to 2019, was one part of our effort at Santander to help charities and community enterprises to get off the ground. Partnering with Crowdfunder, we aimed to enable entrepreneurs to tackle social challenges. Analysis by the Social Innovation Partnership found:



**£1.15 million in funds raised**  
with Santander contributing over £450,000



**75 new full-time jobs created**  
across the funded projects

As part of our partnership with Social Enterprise UK, we also funded financial skills workshops for social enterprises, training 607 people in 2018.

## Our future direction

In 2019, we aim to go beyond traditional volunteering and fundraising to deliver long-term, meaningful value to society. Moving beyond skills, knowledge and innovation, we will focus our resources on topics where we can make a real difference such as financial inclusion, job creation, and education, digital inclusion and fighting financial crime.

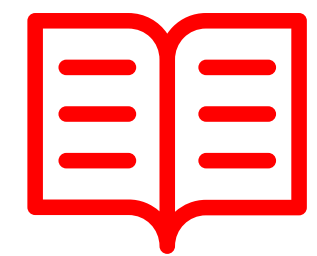


## Age UK and Barnardo's partnership

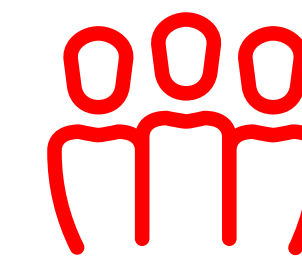
In 2016 our colleagues chose to support Age UK and Barnardo's with a three year partnership designed to help our communities prosper.

£3.2m

Over  
**£3.2 million**  
raised to support  
Age UK and Barnardo's



More than  
**10,000 hours**  
of time to directly support  
people for both charities



**Together,**  
we've supported 57,533 people  
to have the skills, knowledge  
and resilience to face the future  
with confidence

95%

**of participants**  
said events made  
them feel proud to  
work for Santander UK





# Our impact

## Tackling financial and social exclusion with our charity partners

One of the aims of our partnership with Age UK and Barnardo's was to tackle the root causes of financial and social exclusion affecting older and younger people.

### Ambitions for Later Life

The over-60s is the fastest-growing group in society, with many at risk of financial and social exclusion, and 1.9 million older people already living in poverty. Fewer than three in ten people at retirement age have any plan for funding long term care.

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With Santander funding, Age UK launched 'Ambitions for Later Life'. This initiative has supported over 5,800 older people to plan for the times ahead and be more financially resilient.

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The primary benefit of the initiative has been to support financial security, with Age UK helping people to remain in their homes, afford to leave the house and use transport such as taxis. This has been transformative for many older people. As of December 2018, Age UK have helped people access over £8.7 million in unclaimed benefits through the programme.

### On-Track project

We established the On-Track project with Barnardo's to transform the lives of the most vulnerable young people in society, including care leavers, young people with learning difficulties, or those with mental health issues.

Since 2016 the service has helped 382 young people overcome major challenges in their lives, enabling them to fully participate in society and have access to financial services which meet their needs. Barnardo's worked with local Santander branches to provide employability support such as mentoring. This programme provides a strong social return on investment of £3.20 for every £1, based on a robust cost-benefit methodology developed and internally validated by Barnardo's; demonstrating the project's wider benefit to society.

Although our three year corporate partnership has now ended, together we will continue to explore ways to provide support where it's needed most.

£82m

of unclaimed  
benefits accessed by  
help of Age UK

382

young people  
helped overcome major  
challenges in their life





## Driving Sustainable Economic Growth in SMEs

### Understanding our value

As part of our new approach to sustainability, we aim to better understand and measure the value we create beyond profit and across all stakeholder groups. We started by doing an impact assessment on Santander Breakthrough in 2017, available in the 2017 report. This impact assessment describes in qualitative terms how the activities we deliver through Breakthrough have multiple impacts, for example, on employability, jobs, economic growth or even wellbeing.

### Growth Capital financing of SMEs

As a financial institution, one of Santander UK's most important roles is supporting SME growth. Finance is essential for SMEs to grow, but there is substantial evidence that SMEs face larger growth constraints and have less access to formal sources of external finance. Our Growth Capital team is designed to provide high growth SMEs with innovative funding solutions. In 2018, we provided £20.7 million of growth capital and £100.7 million of senior debt to 35 companies, as part of our Breakthrough programme. The team's transactions fall into two areas: those which facilitate organic growth, and those involving a change in ownership.

### Customer interview results

We believe that our funding has a positive impact on growth, across revenue, profits and employee numbers. In order to better understand this impact, we interviewed a representative sample of our portfolio which comprised of 18 companies. Our findings were as follows:

- Our funding is used by customers for meaningful investment and capital spend, including recruitment, improved IT systems and platforms, expansion into new markets and international growth.
- Growth Capital deals seem to also have a positive impact on job creation, despite the increasing adoption of new technologies or headcount measures taken on acquisition deals.
- Often, our funding improved the companies' profitability. This is despite the fact that entrepreneurs and start-ups initially invest in higher overheads to scale their business, which can depress profits in the short term.
- We also see an increase in revenues on the back of our support in most cases, with outperformance in newer areas of customers' operations.

### Growth capital study

These interviews give us the confidence that our Growth Capital investment does indeed boost growth meaningfully for our customers. To supplement these qualitative findings, we commissioned a small study aimed at confirming and helping us quantify the impact of growth capital lending on firms' revenue, profit and employees' growth. The study was limited in scope to 17 instances of lending and so it is important to note the confidence interval<sup>1</sup> around the central results.

Taking into account these limitations, the study provided additional evidence of growth across revenue, profit and employee numbers. It estimated that, within one year, for every £100,000 lent:

- Revenues increase between £125,000 and £255,000 the following year.
- Profits (EBIT) increase between £10,000 and £60,000 the following year.
- Employees increase between 0.5 and 2.7 the following year.

The study compared our Growth Capital customers against a control group from FAME database with similar firms who had not received any lending, from Santander UK or other providers.

These interviews, the quantitative study, our customer case studies and Breakthrough impact pathway together help demonstrate the value our support brings to start-ups and small businesses.

### Case study

Flight Club is the London-based birthplace of Social Darts, which uses ground-breaking technology and fast-paced multi-player games. Flight Club has secured £5 million in Growth Capital funding from Santander Business Banking to help it open additional venues across the UK, the first of which is in Victoria. The business has seen staff numbers rise from 84 to over 250 to accommodate this impressive growth.

Flight Club has also benefited from a part-funded intern through the Santander Breakthrough programme.

**"We're delighted to be opening in Victoria and have strong aspirations to grow further, taking Social Darts to as many people as possible, and the funding from Santander will help us fulfil this ambition."**

**Ross Shepley-Smith, Chief Financial Officer, Flight Club**

We calculated the mean on a sample as a proxy for the mean on the full population, and on such a small sample it is prudent to quote the 90% confidence interval – where we can be 90% certain this range contains the true mean of the population. A database of company information in the UK and Ireland



# Inclusive digitalisation





# Our ambition

**We want to be worthy of our customers' trust, reflecting our focus on best-in-class data security. We aim to use technology in a way that creates value for all our stakeholders and supports financial inclusion. Technology should help simplify our processes, and make services more accessible and convenient. It is our responsibility to ensure the highest standards of data security which will help us earn and inspire trust.**

## What this means for us

By unlocking the potential of digitalisation we believe we can help our customers and society explore new possibilities, and find new ways to overcome some of the challenges of everyday life.

We have a responsibility to use the power of technology to support financial inclusion, improve cybersecurity, fight financial crime and protect customer privacy and security. At the same time, we recognise that the speed of digital change makes certain sectors of society vulnerable to financial exclusion, and we'll work to tackle this emerging issue.

## Context

We live in a constantly changing world where new technologies, shifting demographics and societal needs require us to re-shape the way we operate.

### Digital inclusion

"Digital inclusion, or rather, reducing digital exclusion, is about making sure that people have the capability to use the internet to do things that benefit them day to day - whether they be individuals, SMEs or community organisations. It covers digital skills; connectivity; and user accessibility."

UK Government Digital Strategy

### Card and contactless payment

Debit cards are now the most common form of payment in the UK, overtaking cash for the first time in 2017. In 2007 cash was used in over half of payments, and over the next ten years it is expected to continue to decline to 16% of all payments. Almost two thirds of people in the UK now use contactless technology to make payments. At the same time, cash remains an important method of payment for vulnerable groups in society, whose digital exclusion in turn risks financial exclusion.



"I firmly believe technology is a powerful enabler of financial inclusion. For example, we can leverage technology to make our offers available to more customers, simplifying access to credit for first time home buyers and offering valuable opportunities to people who've never invested before."

**Michael Harte, Chief Operating Officer, Santander UK**



# Digitalisation and financial inclusion

## Digital Investment Adviser

Making our products more accessible for all our customers is a key priority. To support this, we've introduced a new investment advice service.

Digital Investment Adviser is an online service that offers affordable high-quality digital investment advice to customers who have less experience with investing.

Digital Investment Adviser also helps to establish whether investing is right for the customer, recommending alternative savings options if appropriate. In less than 30 minutes, through the completion of simple and interactive activities, a personal investment recommendation is offered with the potential to invest from £20 per month up to a maximum investment of £20,000. The new service leverages our existing Investment Hub platform and complements our Financial Planning service for customers who receive face-to-face advice.

8. As of 27 January 2019

## Online mortgages

In 2018 we launched a new mortgage servicing hub in Online Banking, to give customers more control and flexibility to manage their mortgage online. As well as providing real-time information about their mortgage, customers can now make one-off extra payments, saving them money over the life of their mortgage. This service has been well-received, with over £46 million of payments made to date<sup>8</sup>. We also continue to see more customers choosing to stay with us and take a new mortgage deal online - 55% now choose to do so, up 7% on 2017.

## Customer relationship management

NeoCRM is our customer relationship management tool and a key enabler of our ambition to deliver a seamless omni-channel approach by providing greater transparency for colleagues 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. Feedback from across the business will continue to be a key driver to improve and enhance the tool.





## Enhanced Mobile Banking

Our Mobile Banking app offers a great experience and best-in-class security features, allowing customers to manage their finances when and where they want, with design and usability for all users at the forefront of our approach to solving real customer needs.

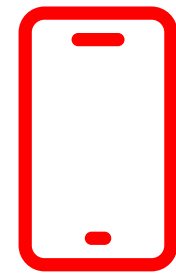
We offer biometrics, including fingerprint and facial recognition, to log in using compatible devices. This can be helpful to customers who prefer not to use passwords. Additional support is available for customers with visual impairments, as the app enables the words on the screen to be read out loud, and customers can use gestures to navigate through the app.

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We've continued to add features responding to research and customer feedback, resulting in an excellent iOS app rating of 4.8

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The recent innovative addition of 'Quick Balance' allows customers to easily view their available balance as a widget on their phone. We added pending transactions for credit card customers which allows greater visibility of 'available to spend' limits. We plan to do the same for bank accounts in 2019, plus introduce other features, all based on customer feedback, like digital PINs. This will allow for an on-screen reminder of a forgotten PIN, saving customers from waiting for a postal reminder.



**4.8 rating**  
on the iOS App Store



## Introducing card controls

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In 2019 we'll be introducing card controls to our Mobile Banking app, giving customers the ability to instantly freeze their debit or credit card if they think it's been lost or stolen.

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Customers will also benefit from on/off controls that enable or disable individual card features including contactless payments, international, online or gambling payments.

## DigiWise

We developed our popular in-school programme, where Santander UK volunteers teach students about responsible money management and career planning, to include a new session around staying safe online. Launched in 2018, this helps Year 9 students understand their digital footprint, data protection and intellectual property. We developed the materials with Young Citizens, an education charity working in schools to educate, inspire and motivate the citizens of tomorrow.



## Data protection and cyber security

Cyber security is a key priority for us. Our customers are moving increasingly to digital banking, with a 97% increase in the use of contactless payments in the UK in 2017. They rightly expect us to protect their money from cybercrime and online fraud, while providing the convenience of easy access. We recognise the change in security risk this represents compared to traditional banking. In response, we've grown our investment in cyber security while partnering with other banks and law enforcement to share information and address threats. We take a joined up, global approach aligned with the Banco Santander group.

The threat from cyber criminals is constantly evolving. To keep pace with new threats and to make sure we have the right skills to combat them, we're a primary sponsor of 'Cyber Security Challenge UK'. This initiative involves a series of competitions designed to test cyber security skills of the next generation of cyber defenders.

In 2018, we introduced our new Mobile Banking app which includes enhanced features and security. We consider vulnerability and ease of use as a standard part of any development. For example, the use of fingerprints and Face ID makes it easier to access our Mobile Banking app without the need to remember credentials, while maintaining high security standards.

Reporting in detail on particular security controls may increase our exposure to evolving threats, which has limited our disclosures. We will continue to develop meaningful reporting to be as transparent as possible on how we address this important challenge.

## Our impact

### Cyber Defence Alliance

**We work closely with law enforcement agencies, regularly sharing intelligence to help prevent and detect potential malicious activity.**

We're a founding member of the Cyber Defence Alliance, a consortium of British based banks and law enforcement agencies, whose members work collaboratively in the broader interest of the entire financial industry. During 2018, activities by this consortium resulted in the arrest of criminals, reducing their ability to target customers in the future.

We're also committed to improving cyber security awareness. Following an incident in which a charity was targeted with a malicious email as part of a £100,000 invoice scam, we organised an event to raise awareness amongst 50 well known UK charities.

The event provided information on cyber-attacks and included advice for companies on prevention and reporting processes. Attendees found the event extremely useful and have been able to take the advice given and relay this within their local organisation, helping everyone to remain secure.





# Upholding the highest ethical standards and fighting financial crime







## Our ambition

Ethics and integrity are the foundation of a prosperous business and society. We're determined to uphold the highest ethical standards, promote human rights and responsible corporate culture.

### What this means for us

Corruption, bribery, modern slavery and financial crime erode the value that our business creates and divert precious resources away from the socio-economic health and growth of our country.

The fair treatment of customers remains at the heart of what we do. We'll deal with any form of customer fraud as a priority and are committed to raising customer awareness and resilience to any form of financial fraud. Our financial crime strategy seeks to deter, detect and disrupt financial crime, to protect our customers and communities.

"Our ambitious new sustainability strategy reflects the importance that we place on a strong internal culture and ethical standards. Demonstrating this and having the courage to do the right thing, at every level of the business, will enable us to effectively deter, detect and disrupt financial crime."

**John Collins, Head of Legal, Santander**

## Context

### Staying one step ahead of criminals

Financial crime is one of the largest systemic risks to the global economy, and the financial industry has an important role to play in supporting law enforcement to proactively detect, deter and disrupt criminals. The finance industry works closely with law enforcement and Government agencies to stop the threat and protect customers. The latest technological developments are enabling sophisticated risk analysis of customers and transactions, and will also play an ever more important role in staying ahead of criminals.

### The importance of regulation

Regulation in the UK remains focused on making banks stronger, supporting positive customer outcomes, and encouraging greater competition.

In 2018 we've seen major regulations implemented in General Data Protection Regulation (GDPR), Second Payment Services Directive (PSD2) and Markets in Financial Instruments Directive (MiFID II). Greater transparency supports trust in business, while standard disclosures help investors, customers and other stakeholders make informed decisions.



# Ethical governance and culture

## Simple, Personal and Fair

**Our commitment to be simple, personal and fair, underpinned by our nine behaviours means the fair treatment of customers is at the heart of what we do. We always look to improve our processes and training to ensure this, integrating fair treatment of our customers into our product and service design reviews.**

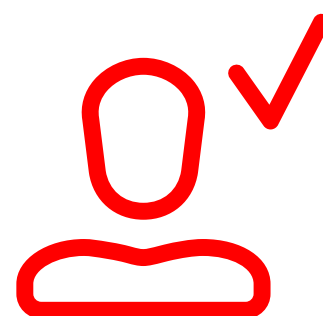
### Our culture

Workplace culture is very important to all our stakeholders: from our employees and customers to the regulators and investors. We also believe it reflects the values of the company as a whole. We're focusing on embedding our values in the company culture by:



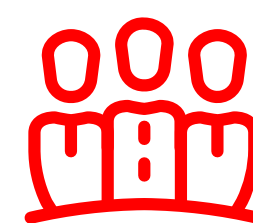
#### Focusing

on communicating our purpose and strategy



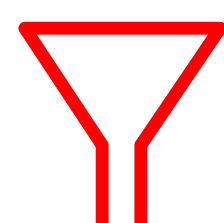
#### Ensuring

accountability for behaviours



#### Supporting

our leaders to lead through transformation



#### Simplifying

our processes and systems

### Responsible supply chain

We want to do business with like-minded companies who share our values and ambition to be a driver of prosperity. With this in mind, we continually review our supply chain management policies and processes. We meet the Living Wage requirement for employees of suppliers who work at our sites in the UK, and our standard supplier contracts include specific requirements to respect human rights and ethical labour practice based on the principles of the UN Global Compact.

In 2018 we created a dedicated Third Party Risk Management (TPRM) team responsible for developing and maintaining an effective Third Party Risk Management framework. This team completed 55 audits on third party suppliers in 2018, and we will continue to review and improve our approach around these audits in 2019.

We also improved our governance by enhancing our third party risk forum structure. Reputational risks related to our supply chain, including issues related to modern slavery, are escalated to our Reputational Risk Forum launched in 2017.

## Our Santander behaviours

### Living the Santander Way

The Santander behaviours describe how we should interact day to day with our colleagues, customers, shareholders and communities to bring simple, personal and fair to life.



#### Bring Passion

and energy and give my best.



#### Give Support

to colleagues by taking a genuine interest in them and appreciating their contribution.



#### Truly Listen

for different and new opinions and am open to challenge.



#### Actively Collaborate

with others to get the best outcome for the customer.



#### Keep Promises

and make decisions.



#### Embrace Change

and look for better ways to do things.



#### Speak Up

and challenge where necessary.



#### Talk Straight

and think about the impact of my words.



#### Show Respect

including through little things.



### Lending policies

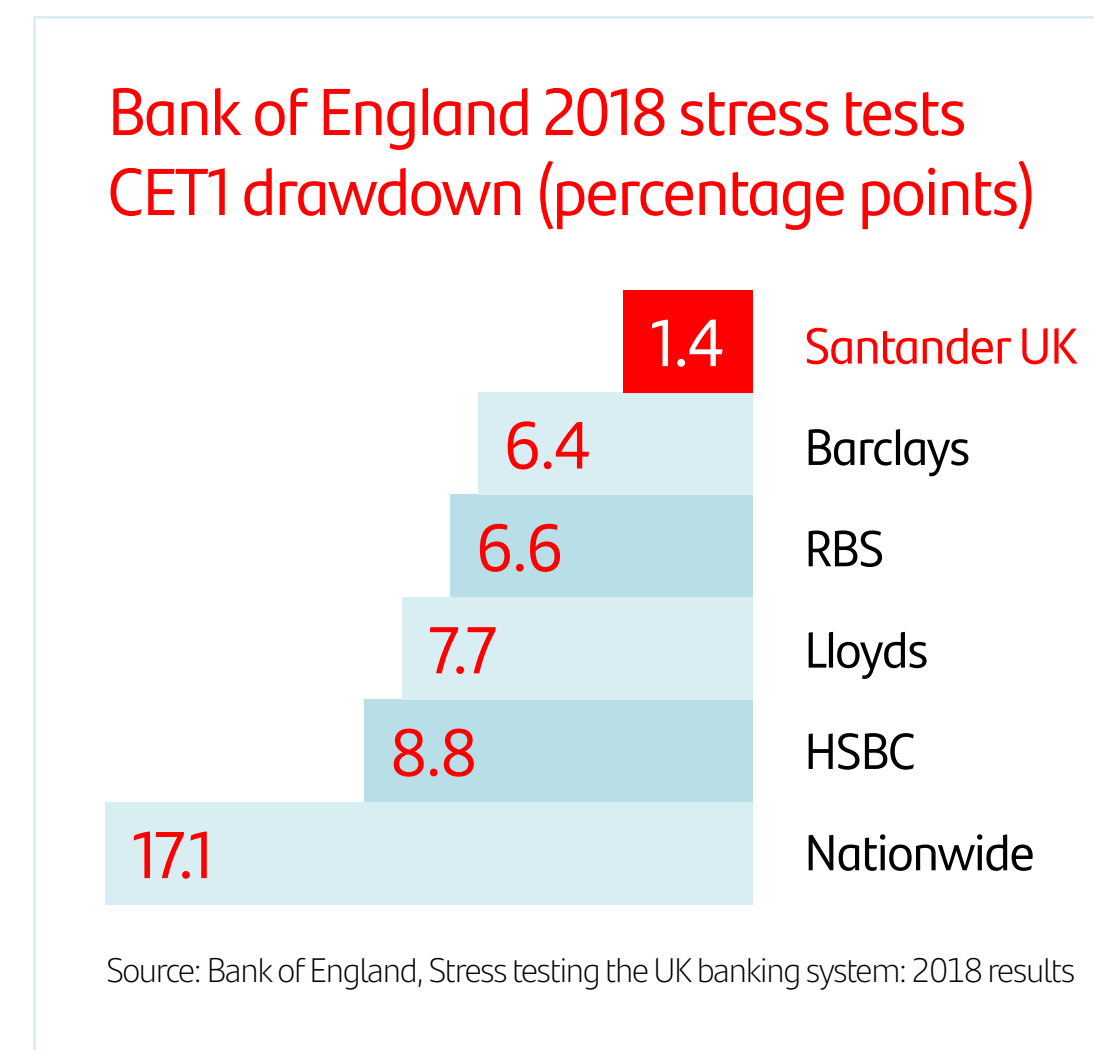
Our policy on Aerospace and Defence, Energy, Mining, Metals and Soft Commodities defines our approach towards creating long term value within these sectors while managing the related reputational, social and environmental risks. In 2018 we released a Sensitive Social and Ethical Sectors Policy to guide our investment in certain sectors, strengthening our local governance. Our Reputational Risk Forum is responsible for reviewing, monitoring and escalating to Board level key decisions around financial and non-financial risks.

As part of the Santander Group, we comply with the Equator Principles, which means that we factor 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.

### Financial resilience and stability

Banks play a vital role in the economy and society, and as such have a responsibility to be resilient to future shocks and sudden changes in the market. To ensure UK banks are fit for a number of potential scenarios, including severe downturns in GDP, employment and housing prices, the Prudential Regulation Authority (PRA) conducts stress tests across the industry.

The results of the latest PRA stress tests were released in November 2018 and placed Santander as the most resilient of UK banks. We're proud to have held this position for three consecutive years as a result of our risk management.



### Probate and bereavement practices

In 2018, we were fined £32.8 million by the FCA following an investigation into our historical probate and bereavement practices. We've completed a comprehensive tracing exercise and have already successfully transferred the majority of funds in deceased customers' accounts to their rightful beneficiaries, with compensatory interest being paid where appropriate. In response to the findings, we made significant improvements to our whole probate and bereavement process, ensuring we provide both a sensitive and efficient service to our bereaved customer representatives and those who are managing the estates of people who have passed away.

### Customer engagement

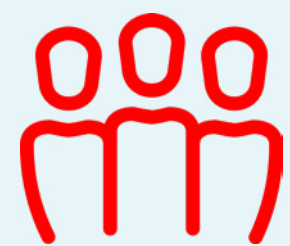
**FRS reported that we ranked second in retail customer satisfaction<sup>9</sup> on a rolling 12-month basis at December 2018, achieving our 2018 target. On a Net Promoter Score basis, we are ranked in the top three highest performing peers.**



9. Retail customer satisfaction as measured by the Financial Research Survey (FRS) run by Ipsos MORI. Please see Appendix 1.



# Tackling financial crime, fraud and scams



**Over 3,000**  
colleagues with enhanced  
financial crime training



**20 events**  
at Santander offices to  
promote awareness



**Over 5,000**  
colleagues receive a  
monthly newsletter

## Financial crime

In 2018 we continued to upgrade our financial crime control framework. We established a centralised programme with direct oversight and governance, reviewed by the Board Responsible Banking Committee.

### Strategy

The Anti Financial Crime Strategy has a clear mission statement formed around the principles of 'Deter, Detect and Disrupt', working to protect our customers and communities. We continually explore the use of new technologies, participating and winning awards as part of an FCA TechSprint event for financial crime.

Collaboration is an essential part of the strategy, and we work both within the bank and with external bodies to ensure alignment and to help identify and address emerging challenges. We support public and private partnerships tackling financial crime risks and take part in committees with senior government ministers. We're engaged with law enforcement and industry through initiatives such as the Joint Money Laundering Intelligence Taskforce (JMLIT). For more on the impact of this collaboration, see page 42.

In 2018, we strengthened our approach to financial crime education, with the formation of an Anti Financial Crime training academy and dedicated internal teams. Over the year, we provided:

- over 3,000 colleagues with enhanced Financial Crime training;
- 20 events at Santander offices to promote awareness; and
- over 5,000 colleagues with a monthly newsletter.

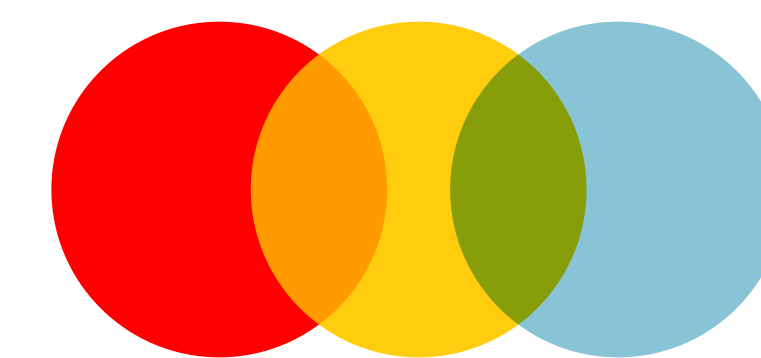
Building on the increased training and awareness activities, we recently launched a new project to build an anti financial crime culture across Santander through educational and other activities.

**We want to give our colleagues the knowledge, skills and environment that empowers them to take the right decisions in order to help protect society from the damage caused by financial crime.**

## Know your customer

Our Anti-Money Laundering (AML) standards prohibit us from entering in a relationship with customers where it is known or confirmed that they have been involved in human rights abuses, including modern slavery, or where there are allegations of human rights abuse.

We identify these indicators through adverse press checks for customers subject to enhanced due diligence, as part of our risk-based approach. During 2018, the Financial Crime Assurance Team conducted a number of enhanced due diligence reviews, including testing customer Know Your Customer (KYC) files to confirm that these checks were completed and managed correctly.



## THE 3 PRINCIPLES - DETER, DETECT, DISRUPT

### ● DETER

Discouraging criminals from attempting to access Santander UK.

### ● DETECT

Identify criminal activity, investigating appropriately and effectively.

### ● DISRUPT

Analysing intelligence to support law enforcement in tackling criminal activity.





## Fraud and scams

Our people continue to volunteer in communities to raise awareness of fraud and scams by delivering 'Fraud and Scam Awareness' workshops. We worked extensively with Age UK, our charity partner, to deliver educational sessions on fraud and scams to groups of older people.

We also run 'Scam Avoidance Schools', an engaging campaign to raise awareness of the sophistication of scammers. These are run in Santander branches and are free for the public to attend. The popularity of these events was recognised by politicians in July 2018, when members of our Fraud and Customer Interactions Team presented at a drop-in event in Parliament to highlight the campaign. As at the end of 2018 we had run over 1,000 classes for over 20,000 attendees.

### Combating the rise in payment scams

Industry data shows £145.4 million was lost to authorised push payment (APP) scams between January and June 2018. APP fraud is where the customer is tricked into sending money to a fraudster. In a move to combat this, we have launched a new payment process to help customers avoid malicious payee and redirection scams. The new processes include payment classifications with tailored warnings, sort code validation to display the recipient bank name and a voluntary cooling-off period.

- The new process asks customers to pick a category of payment when making a transfer.
- Depending on the selection the customer makes, specific scam avoidance guidance will be provided.
- This step is a compulsory part of the payment process, introduced online and to be followed by a rollout to branches and contact centres.

In addition to these warnings, customers will be alerted to the fact that scammers will often pressurise them into making an immediate payment. Customers will have the option to set a cooling-off period, giving them time to change their mind and cancel the payment. Customers are asked to confirm they are not being asked to move their money by anyone, that they have freely chosen the reason for the payment, and have read the associated scam warning before they continue.

"We are pleased to be introducing these changes which we believe offer a new and unique approach to preventing payment scams and, crucially, providing better protection and awareness for our customers."

**Chris Ainsley, Head of Fraud Strategy at Santander UK**



# Our impact

## Deterring, detecting and disrupting modern slavery

In 2018, the Financial Intelligence Unit (FIU) continued to actively collaborate with law enforcement and industry through the Joint Money Laundering Task Force (JMLIT) as part of our ongoing commitment to deter, detect and disrupt financial crime. In 2018 this contributed to the success of major law enforcement operations, including labour exploitation, as well as greater awareness within our industry of the indicators of modern slavery.



## Spotting illegal exploitation in the construction industry

- Through our collaboration with the JMLIT Expert's Working Group on human trafficking and modern slavery, the FIU developed a typology focused on an emerging trend of labour exploitation. This is the most common form of modern slavery, which is a particular vulnerability within the construction industry.
- The FIU used the findings of the intelligence analysis to produce a National Crime Agency (NCA) alert, which was published on behalf of the JMLIT and disseminated to all UK financial institutions. The alert provided a number of key behavioural and common transactional indicators of this form of modern slavery, which has been used for training and to assist identifying vulnerable victims of such crimes who are often 'hidden in plain sight'.
- This work of the FIU will be further disseminated when it will be presented to a UK Finance facilitated training webinar on labour exploitation in Spring 2019.

## Supporting a major police operation in the car wash industry

- The UK hand car wash industry is recognised as particularly vulnerable to labour exploitation.
- Through our engagement with JMLIT, the FIU supported Operation Dahoon, which the NCA described as their biggest ever operation targeting an Organised Crime Group (OCG) engaged in human trafficking and modern slavery linked to 36 car washes throughout the UK.
- The FIU contributed in building a rich picture of associations and links which gave direction to a national and international multi-agency operation across the UK. This involved police forces from France, Holland and Belgium and led to 21 arrests and multiple search warrants.



## How we helped prevent nearly £38 million of fraud in 2018

Last year, employees in the banking industry helped prevent fraud to the tune of £38 million thanks to the Banking Protocol initiative.

Launched in 2016, Banking Protocol is a collaboration between the police, banks and Trading Standards. Santander has signed up to this initiative, which aims to help vulnerable victims who are in the process of being defrauded of funds from their bank accounts.

### Banking Protocol impact in 2018:



**£38 million**  
of fraud prevented



**231**  
arrests



**4,240**  
emergency calls



**£8,960 of fraud prevented**  
per emergency call,  
on average







## Looking ahead

**2018 was an exciting year. We introduced our new strategy and focus areas, and the steps we need to take on our journey towards greater sustainability at Santander. This requires action across the business, from the new approach launched by our financial crime team to the investment in our people and our focus on helping start-ups and small businesses.**

We aim to integrate the strategy into every part of our business, making it a core part of our decision-making at all levels. In 2019, we'll focus on bringing the strategy to life by working collaboratively across the business to define in more detail what success looks like and set targets to help us measure progress.

We want to share our vision with our customers, colleagues, shareholders, and other stakeholders. We're committed to being transparent, communicating in an honest and accessible way.

There's a lot of work ahead of us, but with an overwhelmingly positive response so far from colleagues and stakeholders more broadly, we know that we're on the right track.

"My team and I are very excited about the year ahead of us. We are working closely with the business to truly integrate sustainability in our decisions and be the responsible bank that our stakeholders can trust."

**Tina Boyle, Head of Brand Strategy and Sustainability, Santander UK**

The data in the Sustainability Report is based on the 2018 Strategic Report stakeholder review and accompanying 'Stakeholder and environmental metrics', both of which have been externally verified. Please visit our [Sustainability website](#) for the full list of metrics and assurance statement.





## Appendix 1

The Financial Research Survey (FRS) is a monthly personal finance survey of around 5,000 consumers prepared by the independent market research agency, Ipsos MORI.

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. Data shown is for the twelve months ended 30 December 2018, based on 13,831 interviews for satisfaction and 13,423 for recommendation.

The competitor set used to calculate the product weights is Barclays, Halifax, HSBC, Lloyds Bank, Nationwide and NatWest. The competitor set included in this analysis for the ranking and highest performing peers is Barclays, Halifax, HSBC, Lloyds Bank, and NatWest.

The 'Net Promoter score' is based on 11-point scale (0-10). The calculation used here is the percentage top two promoters (customers scoring 9 or 10) minus detractors, defined as percentage bottom seven (customers scoring 0-6) and excluding passives (customers scoring 7 or 8). This is scored 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