



# 2013

## CORPORATE SOCIAL RESPONSIBILITY REPORT

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Santander UK plc operates primarily in the UK. It is authorised by the Prudential Regulation Authority (PRA) and regulated by both the PRA and the Financial Conduct Authority (FCA) and is part of the Banco Santander, S.A. Group (the Santander Group). Santander UK is a major financial services provider, offering a wide range of personal financial products and services, with a growing market presence in corporate and commercial banking.

## SANTANDER UK'S VALUES

<b>Innovation</b>	Adding value in what we do and trusting people to take risks to achieve our goals
<b>Teamwork</b>	Creating a culture of praise, sharing successes and failures with unwavering support
<b>Commitment</b>	Doing what we say we will do, sharing our collective goal and feeling proud of the company's success
<b>Excellence</b>	A never ending commitment to do better and get it right the first time

## AWARDS AND RECOGNITION IN 2013

### Your Money Awards

- Best Direct Mortgage Provider
- Best National Branch Network

### MoneyNet Personal Finance Awards

- Best Cashback Credit Card

### MoneySupermarket Awards

- Product Innovation Award for 123 Current Account
- Best Savings Account Provider

### Business Moneyfacts Awards

- Business Bank of the Year

### Fund Management

- Gold Standard Award for Santander Asset Management

### CRF Institute

- One of Britain's Top Employers

### Times Top 50 Employers for Women

- Listed for the third year running

# CHAIR'S STATEMENT



**Lord Burns**  
Chair

Our purpose at Santander UK is to help people and businesses prosper. To do this we have set ourselves an ambitious aim: to be the best bank for our people, our customers, our shareholders and our communities. We are committed to serving all of these groups in a balanced way because that is how we will build a sustainable business.

We want everything we do to be simple, personal and fair. This embodies what our stakeholders want from their bank and defines how we work together and how we treat our customers, our shareholders and our communities.

We are committed to creating an inclusive culture in which all our **people** feel valued and able to fulfil their potential. We carried out the biggest listening exercise in the bank's history in 2013, with a series of workshops around the country undertaken by our CEO and executive team to learn from our colleagues how we can build the best bank. We launched new career and personal development programmes as a result of these events, and a bank-wide culture change programme.

To become the best bank for our retail **customers** we are building a new proposition around the things that are important to them. We are developing simple and clear products that reward both new and existing customers and that provide ongoing value. And we are continuing to improve our customer experience performance; the Financial Research Survey reported year-on-year improvement in our satisfaction scores.

For our business customers in our commercial bank our model is based on working closely with our SME and corporate customers to meet their needs, based on a relationship with someone who truly understands their business and we now have 50 regional Corporate Business Centres around the UK to support local business communities. We hired almost 150 new relationship managers and our lending to businesses was up by 13% in 2013.

By delivering better results for our people and our customers we have delivered better quality results for our **shareholders**. We increased our profits by 13% in the year and continued to strengthen our balance sheet and capital position.

And we are taking care of the world around us with ongoing investments made in managing the impact our business has on the environment and a growing specialist 'green' financing team. Our support for **communities** is focused on three priority areas: education, employment and enterprise and we provided over £15 million of funding in 2013 via our flagship initiatives in support of this, through the Santander Foundation which provides grants to local charities, support for students through Santander Universities and Santander Breakthrough which assists small businesses and social enterprises.

**Simple Personal Fair**  
What a bank should be

## ■ HIGHLIGHTS OF 2013

- We lent £18.4 billion of mortgages to UK households, including £3.4 billion to first-time buyers
- We lent £4.1 billion to SMEs, an increase of 13% year-on-year
- Over 2.4 million people joined our 123 World, an additional 1 million in the year
- Customer satisfaction increased to 58%, further reducing the gap between us and the top three peers
- We reduced our carbon emissions again, a reduction of 60% since 2010
- We supported 2,000 students with funding for study, research and internships
- £21 million was invested in community projects around the UK

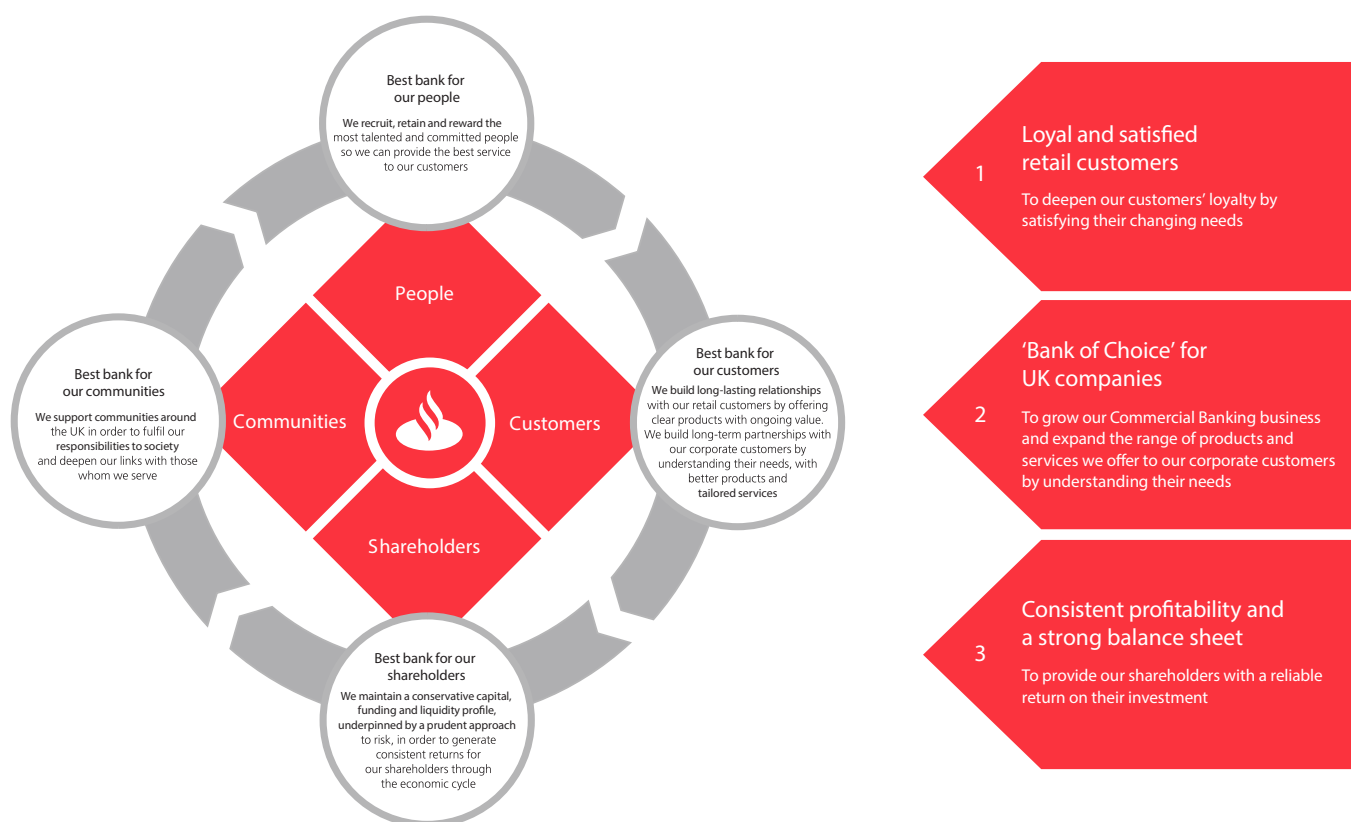
# BUSINESS MODEL & STRATEGY

Santander UK is a major financial services provider in the UK. We are the second largest residential mortgage lender and a top three savings brand, operating across the full range of personal financial services, corporate and commercial banking.

Our **purpose** is to help people and businesses prosper.

Our **aim** is to be the best bank for our people, our customers, our shareholders and our communities.

Our three **strategic priorities** are driving our transformation into a customer-focused, diversified retail and commercial bank.



## 2013 business highlights

2013 was an important year for Santander UK in our transition to becoming a better diversified full-service retail and commercial bank.

- In Retail Banking over one million customers joined our flagship 123 World in the year, including 232,000 customers who switched their current account to Santander UK from other providers.
- Customer satisfaction improved further, increasing to 58% and continuing the trend of the last two years.
- We provided £18.4 billion of mortgages to UK households, including £3.4 billion to first time buyers.
- Our Commercial Banking lending increased 13%, with £4.1 billion of new facilities extended to SMEs.
- We invested in business initiatives focused on improving customer experience, our branch network, digital channels and the expansion of our network of regional Corporate Business Centres.

## Financial highlights

Profit after tax from continuing operations increased 5% to £921 million (2012: £877 million) in 2013. However in 2012 a number of significant items impacted non-interest income and without these items, profit after tax from continuing operations increased 13% in the year (2013: £921 million; 2012: £812 million).

- Operating income - Net interest income was 8% higher year-on-year, largely due to an improved mortgage stock interest margin and increased lending in Commercial Banking.
- Operating expenses - Costs increased by 4% in 2013, due to higher operational, technology and regulatory compliance and control costs, and the ongoing investment to support the business transformation.
- Operating provisions and charges - Impairment losses on loans and advances were lower in the year, credit quality in the Retail Banking and Commercial Banking loan books continued to be satisfactory. Provisions for other liabilities and charges were lower year-on-year, largely due to a £232 million conduct remediation provision and a £55 million provision for termination costs in 2012.

1. See key performance indicators on pages 6 & 7 of the Santander UK plc 2013 Annual Report.

Detailed information about our business performance and activities is available on our corporate site at [www.aboutsantander.co.uk](http://www.aboutsantander.co.uk)

## 2014 Outlook

Whilst the UK economic recovery strengthened in 2013, uncertainties remain in the banking environment for the year ahead. In 2014 we will continue with our significant investment in strategic initiatives to expand our commercial businesses, to improve our retail banking offering and enhance the experience of our customers interacting with us across all channels.

We will continue to support our customers and the broader economy: our intention is to continue our growth in both our commercial and retail lending in 2014 and to create a bank that is simple, personal and fair for our customers and our other stakeholders.

## Approach to tax

Santander UK's approach to tax is governed by a formal tax management policy, which is applied across all business areas and has been shared with HM Revenue & Customs (HMRC). We act in accordance with HMRC's Banking Code of Practice on Taxation for Banks and we are open and transparent in our dealings with HMRC and other tax authorities, seeking their input in relation to all significant transactions.

During 2013 we paid total UK taxes of £467 million (2012: £563 million). We also collected and remitted taxes totalling £595 million (2012: £541 million) to HMRC on behalf of customers and employees.

■ KEY DATA	2013	2012
<b>1. Operating highlights (£m)</b>		
Operating income	4,029	4,683
Profit for the year	913	939
<b>2. Balance sheet (£m)</b>		
Shareholder's equity	12,520	12,949
Total Tier 1	11,059	11,203
Total assets	270,305	293,044
Deposits by customers	147,167	149,037
<b>3. Ratios (%)</b>		
Cost to income ratio <sup>1</sup>	54	53
CET 1 capital ratio <sup>1</sup>	11.6	11.1
<b>4. Social contribution (£m)</b>		
Salaries and other staff costs	978	991
Total UK taxes paid	467	563
Community contribution	21	19
<b>5. Other figures</b>		
Number of active customers (million)	14	15
Number of employees	19,643	20,340
Number of branches	1,010	1,034
Number of corporate business centres	50	35

# CORPORATE GOVERNANCE & RISK

## NUMBER OF MEETINGS IN 2013

Board Risk Committee	14
Board Audit Committee	15
Board Remuneration Oversight Committee	10
Board Nomination Committee	8

### Governance framework

Santander UK as a subsidiary of Banco Santander, S.A. has its own autonomous operating framework and is regulated by both the PRA and FCA.

Santander UK only has London Stock Exchange listed preference shares but we are nonetheless subject to the Listing Rules and the Disclosure & Transparency Rules. Whilst we are not required to comply with the UK Corporate Governance Code, we have chosen to follow it wherever it is appropriate to do so, given our ownership, as it represents best practice.

As at 31 December 2013, the Board comprised the Chair, four Executive Directors and 11 Non-Executive Directors, six of whom are independent.

The Board has four committees, Board Risk Committee, Board Audit Committee, Board Nomination Committee and Board Remuneration Oversight Committee. Their activities are set out in the Terms of Reference for each Board Committee and are available on [www.aboutsantander.co.uk](http://www.aboutsantander.co.uk).

The roles of Chair and Chief Executive Officer are separated and clearly defined. The CEO has delegated authority from the Board for the day-to-day operation of the business and implementation of the Board's strategy and business plan, and in turn the CEO delegates a number of duties to the Executive Team.

### Risk management

As a significant financial services provider, risk management is at the core of Santander UK's day-to-day activities. The understanding and control of risk is critical for the effective management of the business. We aim to employ a prudent approach and advanced risk management techniques to deliver robust financial performance, to ultimately build sustainable value for all our stakeholders, based on the principles of being simple, personal and fair.

A risk awareness campaign was delivered in 2013 to highlight personal accountability at all levels. The campaign centred around Identifying, Assessing, Managing and Reporting risk - called "I AM Risk" - to help strengthen our risk management culture.

Our suite of mandatory training courses for all staff includes modules on Anti-Bribery and Corruption, Operational Risk and Fighting Financial Crime. All mandatory training is undertaken by all staff each year.



■ IDENTIFY

■ ASSESS

■ MANAGE

■ REPORT

### Social, ethical and environmental risk

As part of the Santander Group we comply with the Equator Principles, factoring social, ethical and environmental impacts into our risk analysis and decision-making process for financial transactions.

### Conduct risk

We continue to place significant attention and resource on seeking to ensure that customers receive the right outcome in every instance and that the necessary controls are in place to mitigate the associated risks. This is reflected in our approach of ensuring our products and our dealings with customers are simple, personal and fair.

In 2013, we initiated a series of activities to enhance the management of our conduct risks, which culminated in the Conduct Risk Programme. This has focused on the development of four key elements: Risk Policy, Products, Governance and Reporting and Culture. Changes have been made to specific business processes, as well as to the way we consider, manage and report conduct risks. We strengthened our internal product approval process to ensure that customer outcomes are thoroughly addressed. All new products have to be approved by the Product Approval and Oversight Committee which seeks to ensure robust governance around the product design.





### Liquidity and funding

We primarily generate funding and liquidity through UK retail and corporate deposits, as well as in the financial markets through our own debt programmes and facilities supporting our business activities and liquidity requirements. We do this based on the strength of our balance sheet, our profitability and our own network of investors. We do not rely on a guarantee from the Santander Group to generate this funding or liquidity.

### Operational risk

We manage key operational risks and respond to critical developments both within Santander UK and in the wider environment. Examples of operational risks include fraud, process failures, system downtime or damage to assets due to fire or flood.

### Financial crime

We continued to invest in staff education and improved external and internal fraud detection and prevention systems, in order to counter the increasing threat of financial crime. The introduction of sophisticated internet fraud prevention solutions and use of mandatory identification numbers for payments has reduced the risk of fraudulent account takeovers by organised criminals, enhancing our customer identification protocols in a customer-friendly manner.

Our Central Anti-Money Laundering (AML) unit is responsible for providing guidance and technical support on AML legislation and other AML policy and technical matters. It is also responsible for the Suspicious Activity Reporting & Court Order Units and ensuring account opening processes meet AML and Sanctions and Terrorism legislative and regulatory requirements.

Money laundering is linked to almost every crime including terrorist financing. Theft, fraud, prostitution, drug trafficking/dealing, and armed robbery all generate cash which criminals attempt to pass through the finance system.

### Bribery & corruption

We aim to operate fairly, honestly and openly in all of our business dealings and have a zero tolerance policy towards bribery and corruption. We will not do business with companies or individuals that do not commit to an anti-bribery ethos.

The Central Anti-Bribery and Corruption Team is responsible for setting policy, ongoing monitoring activities and audits, including annual business-wide risk assessments. Our anti-bribery procedures and controls contain strict requirements to be followed by all employees to prevent bribery, corruption and the use of our business for financial crime.

### Conduct standards

Under their terms and conditions of employment, staff are required to act at all times with the highest standards of business conduct in order to ensure a company culture which is free from any risk of corruption, compromise or conflicts of interest. In December 2013 a new Code of Ethical Conduct was communicated to all staff. It sets out the standards expected of all employees, in line with our commitment to being simple, personal and fair.

### Risk culture statement

Santander UK will only take risks that it understands and will always remain prudent in identifying, assessing, managing and reporting all risks. We proactively encourage our people to take personal responsibility for doing the right thing and to challenge without fear. We ensure decisions are taken in the best interests of all our stakeholders and are in line with 'The Santander Way'.

# CSR GOVERNANCE & STRATEGY

## CSR strategy

The Santander UK approach to CSR is based on managing the responsibilities we have to our key stakeholder groups: employees, customers, shareholders, communities and suppliers.

We take into account how we deal with our customers and employees, how we manage our ethical and environmental responsibilities, and how we support the communities in which we work.

Our CSR programme features a range of initiatives that address our main CSR priorities, including:

- Santander MoneyWise supports financial capability to help adults and young people better understand and manage their money.
- Santander WorkWise supports the development of workplace skills, training and job opportunities to help address youth unemployment.
- Santander Global Facilities Division manages our environmental impacts through an Environmental Management System, which takes into account our use of energy and water, management of waste and CO<sub>2</sub> emissions.
- Our supply chain management is governed by a procurement policy which includes measures to ensure the fair treatment of suppliers and business partners.

Our CSR investments are focused on supporting education, employment and enterprise and are delivered by our people primarily through our flagship programmes - Santander Universities, Santander Foundation and Santander Breakthrough.

## CSR management

The CSR Committee is chaired by the CEO and the Committee considers and approves CSR strategic plans, corporate policies and reports for onward approval by the Executive Committee and the Board, where appropriate.

## CSR reporting

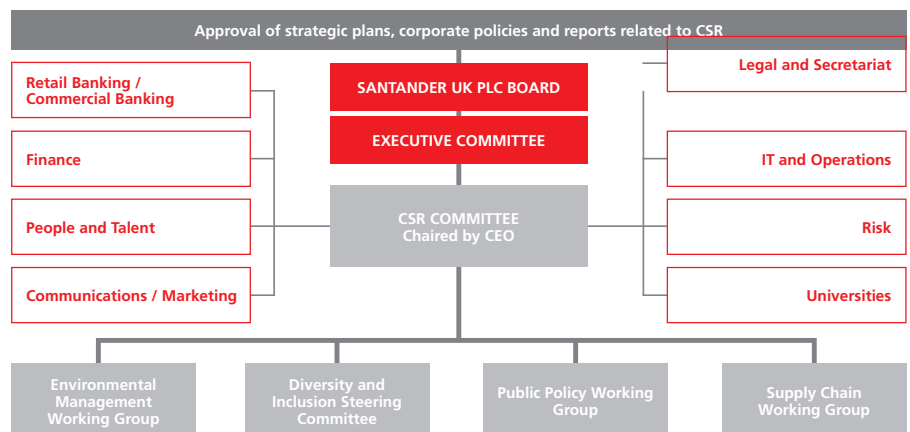
This is Santander UK's 14th annual CSR Report. It covers activities relating to Santander UK's operations for the period January to December 2013 and takes into account developments at the beginning of 2014 where they have a bearing on the content of the report.

We use the Global Reporting Initiative (GRI) as a standard for reporting on CSR and have cross-referenced the GRI indicators that are relevant to Santander UK at the back of the report. The report has achieved GRI G3 Version 3.1 Application Level C+.

The CSR team has responsibility for defining the content for the report and it works with representatives from around the business in order to prepare the material.

Additional information is gathered to make sure the views of our wider stakeholders, including regulators, government, the media and consumer groups, are taken into account. This ensures that we cover issues that not only do we believe are important to our business but also those that are deemed as material by society as a whole. The report is made available to all our stakeholders via the internet - [www.aboutsantander.co.uk](http://www.aboutsantander.co.uk).

## CSR MANAGEMENT FRAMEWORK





# SIMPLE | PERSONAL | FAIR

## Changing culture

Our stakeholders want a bank that is simple to deal with, has personal understanding of its customers and treats everyone fairly. In order to achieve this everything we do must be simple, personal and fair for our people, customers, shareholders and communities.

At the Santander UK Annual Convention in February 2013, CEO Ana Botín asked the 2,500 delegates to make a commitment to become simple, personal and fair. Thousands of commitments were received from managers across the bank outlining how they would improve their behaviours, systems, processes and procedures to achieve this vision.

Following the Convention, the biggest listening exercise the bank has ever undertaken was launched with the CEO holding a series of workshops around the country with employees at all levels to hear how we should be more simple, personal and fair and what we could do to build a better bank. The feedback from the commitments and Ana's workshops resulted in the launch in September of The Santander Way.

'Simple, Personal, Fair: The Santander Way', sets out how we work together and how we treat our stakeholders to drive change in our business.

This approach is being integrated into every area of our business.

“ The Santander Way gives every person at every level permission to speak up; to say 'Stop - this is not right - we need to do things differently.’ ”

Ana Botín



**Simple, personal, fair**  
The Santander Way

**Our purpose is to help people and businesses prosper.**

Our aim is to become the best bank in the UK for our people, our customers, shareholders and communities. To achieve that, everything we do will be simple, personal and fair.

**Simple**

- We will offer our customers a service that is convenient and products that are easy to understand, however and whenever they choose to bank with us.
- We will make our processes better every day, so they are easy and clear for our customers and our people.

**Personal**

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

**Fair**

- We will be open, honest and treat others as we would like to be treated.
- We will earn our investors a sustainable return and do our bit to help communities.

**Simple, personal, fair: the Santander Way**

**Santander**  
a bank for your ideas

santander.co.uk

# STAKEHOLDER ENGAGEMENT

We have a programme of regular proactive engagement with our key stakeholders - our customers, people and shareholders - to make sure we listen to and understand their views in order that we can respond to any concerns. This feedback informs our products, services and procedures.

GROUPS	NUMBERS	CONTACT
<b>Customers</b>	14 million active customers	<p><b>Personal Customers</b></p> <ul style="list-style-type: none"> <li>• an external survey of circa 6,000 financial services consumers per month which measures customer satisfaction, run by GfK.</li> <li>• an internal survey of circa 9,600 customers per year which measures customer satisfaction against key competitors</li> <li>• an internal survey of over 156,000 customers per year which measures service performance</li> </ul> <p><b>Business Customers</b></p> <ul style="list-style-type: none"> <li>• an external survey of over 17,000 business banking customers per year which measures customer satisfaction, run by The Charterhouse UK</li> <li>• the CEO and members of the Executive Committee hosted 10 Breakthrough roundtable events for SMEs and undertook 17 visits to UK universities in 2013</li> </ul>
<b>Employees</b>	19, 643 full-time equivalent employees	<ul style="list-style-type: none"> <li>• Annual Convention: circa 2,500 manager-level employees attend an annual conference to hear from the Santander UK executive team</li> <li>• Simple, Personal, Fair workshops: 10 events in 2013 hosted by the CEO for circa 850 employees at every level and from every division of the bank to discuss the new strategy</li> <li>• The Santander Way launch: the CEO and Executive Committee members hosted a series of live webcasts attended by c. 2,000 employees in eight simultaneous events across the country to introduce the new framework for how we want to do business</li> <li>• Better Together: an online workshop for employees to share ideas and views on the bank. In 2013 the first workshop on Simple, Personal, Fair saw 1,850 employees involved</li> </ul>
<b>Shareholders</b>	1.6 million UK-based shareholders	<ul style="list-style-type: none"> <li>• c. 50 meetings and events in cities across the UK per year for shareholders to meet Santander senior managers.</li> <li>• dedicated telephone and email contacts and quarterly newsletters</li> </ul>

## Listening to our customers

In addition to our daily interactions with our customers we use a series of regular surveys to measure how our customers feel about our people and channels and we subscribe to the Financial Research Survey, an independent monthly survey of circa 6,000 consumers covering the personal finance sector, run by GfK. The

industry benchmarking survey measures customer satisfaction across Barclays, Halifax, HSBC, Lloyds Banking Group, Santander, Nationwide and NatWest.

The Santander Global Competitor Tracker surveys 4,800 Santander and 4,800 of our key competitors' customers every year. This survey monitors our performance against our peers and

measures satisfaction across a series of categories including products, channels, behaviours, brand and trust. And Customer First, which is an internal survey of over 156,000 Santander branch and contact centre customers every year, is focused on measuring our service performance.

In addition, there is a group of wider stakeholders including Government and the media which are important for us to engage with in order that we are aware of the opinions of society more broadly and they play an important role in helping us to shape and improve our business.



### Listening to our employees

In Spring 2013 five Simple, Personal, Fair Ideas workshops were held with 500 employees and in October and November a series of workshops were held in a further five cities with 350 managers to gain views on the development of a new balanced scorecard for the bank.

In 2013 we launched Santander Better Together, an online workshop which asks employees to suggest ways we can be simple, personal and fair. Over the initial two week campaign period more than 1,850 staff submitted 24,500 contributions including some 530 unique ideas.

In 2014, the CEO roadshows will be supplemented with a series of regional events for staff led by our Executive Committee members to continue to listen to and engage staff in the success of Santander UK.

### Working with our unions

Santander UK has a long history of trade union recognition governed by a Partnership Agreement with Advance, recognised in the former Abbey and Bradford & Bingley parts of the business, and Recognition Agreements with the Communication Workers Union, recognised in the former Alliance & Leicester parts of the business. Both unions are affiliated to the Trades Union Congress.

We consult our trade unions on significant proposals and change initiatives within the business at both national and local levels. We hold regular Joint Consultative and Negotiating Committee meetings to enable collaborative working and ensure that communication is open and two-way.

### Communicating with our shareholders

Santander UK Shareholder Relations arranges meetings and events in cities across the UK for the Group's UK-based shareholders to update them on how our business is progressing, answer their queries and understand and respond to any concerns they may have. Following these we survey shareholders' opinions about the events via feedback forms in order to improve our approach.

### Liaising with Government

In 2013 Santander UK continued to engage constructively with the Government and policymakers. Over the course of the year, we contributed to various policy initiatives including the work of the Parliamentary Commission on Banking Standards, the passage of the Financial Services (Banking Reform) Act, discussions with HM Treasury on basic bank accounts and the Government's on-going work to ensure that there is appropriate access to finance for SMEs.

### Parliamentary Commission on Banking Standards

The Parliamentary Commission on Banking Standards (PCBS) was set up in July 2012 to consider and report on professional standards and culture in the banking sector and to scrutinise the Financial Services (Banking Reform) Bill. Following publication of the Commission's final report in June 2013 and the Government's response in July 2013, we have been working with policymakers, regulators and the industry to take forward the Commission's recommendations to embed higher standards in the banking sector.

### Financial Services (Banking Reform) Act

Following the Independent Commission on Banking (ICB)'s final report in 2011, the UK Government has implemented many of its recommendations through the Financial Services (Banking Reform) Act. During 2013, Santander UK discussed the provisions of the primary and secondary legislation with HM Treasury and responded to the consultation from HM Treasury on the secondary legislation of the Bill.

### Basic Bank Accounts

We worked with HM Treasury and other banks in 2013 to agree a set of minimum standards for basic bank accounts. These standards will help previously unbanked or under-banked customers to access a basic bank account which is free of charges and fees and which has a range of payment mechanisms and account management tools.

### Listening to the media

As well as being a valuable litmus of public sentiment, the media is often a channel our customers use when things go wrong so they are an important group for us. We engage with the media on a daily basis, both proactively and reactively; we provide them with information on the company, products and services, and they provide us with feedback on how we are viewed externally and what the key issues are for customers and wider society.

# CUSTOMERS

Customers want a bank that gives them confidence and control over their money. We provide this through simple and clear products for both new and existing customers that offer ongoing value and reward existing behaviour, with minimum small print.

## Customer experience

Improving the service we offer to our customers is our top priority and we continued to work hard in 2013 to deliver an improved customer experience, aligned to our aim to be simple, personal and fair.

We focused on a number of initiatives centred on simplifying our processes and systems to make them easier to use for our employees, to help customers with their day-to-day banking, and when customers use one of our self-service channels.

### Simplifying our processes

In our branches we changed our policy to allow staff to recover a 'captured' card from an ATM for a customer. We also improved our Chip & PIN processes to increase fraud protection and speed of service. Our teams took a proactive approach to highlight to customers all the alternative channels and means available to them to manage their day-to-day banking. This saw staff showing customers how they can use the new ATMs to deposit cash and cheques, to avoid the need to queue at a counter at peak times, registering customers for our mobile and online banking site, and gathering email and mobile phone numbers so that we can contact customers more easily should we need to.

For new customers we introduced a 'multi credentials' process to allow them to carry out online, mobile or telephone banking using the same ID and password, making it quicker and easier to use our systems.

We continued to simplify our product ranges and during the year reduced our historic savings products from 90 to five core products and our on sale adult current account range now consists of just four products including our 123 Current Account.

2013 saw the launch of a new industry-wide initiative, the Current Account Switch Service, to make it easier for customers to switch their current account from one bank to another. Backed by the Payments Council, it makes switching faster and easier and is supported by an industry-wide 7-day switcher guarantee. We introduced the service in September and it was subsequently awarded a 5-Star rating by Defaqto, the leading independent financial research company that rates financial products and services.

### Investing in our channels

In addition to simplifying our processes and procedures we also made a number of significant investments during the year.

Across our branch and telephone banking network we introduced improved IT systems which now provide enhanced internet connections. Almost 11,000 new PCs were installed in branches and over 3,000 in our contact centres, helping to speed up banking transactions. Customers calling our telephone banking teams can now benefit from groundbreaking 'vScreen' technology, which allows our advisers to share product and regulatory information with a customer securely and remotely in real time.

We invested in our digital proposition and launched a new banking app for Android mobiles and enhanced our online and mobile banking apps for iPad and iPhone. During the year our app reached over one million downloads; more customers than ever are choosing to manage their money through these devices.

In 2013 we began a branch refurbishment programme to make them brighter, warmer and more accessible places for our customers to visit, as well as opening branches in towns where we don't currently have a presence. During the year over 100 branches were refurbished, almost 10% of our network, and we aim to refurbish 200 more branches in 2014.

We announced early in the year that following a review of the agency network which comprises 139 agencies in third party commercial offices we will be withdrawing from the commercial agreements we have with them in 2014. The agencies provide limited banking services under license and the decision was taken due to the major level of investment that would be needed going forward to bring the network up to the standards of our branches. We are working with the Agency Principals to ensure a smooth transition for customers to our other full service channels including Santander branches in the area, telephone, online and mobile banking options.



Newly refurbished Hammersmith branch

## Customer satisfaction

We have achieved a significant improvement in customer satisfaction over the last three years, from a score of 51% in 2011 to 58% in 2013, just short of the average of the top three peers at 60%.

In the Summer 2013 survey from MoneySavingExpert.com Santander was rated as the third best bank for service by our 123 Current Account customers and the best of the 'big five' banks. Of our 123 customers, 75% of respondents voted Santander's service as 'great', only 1% behind the second-placed bank.

We know we have more to do and we will continue to focus on improving the levels of service throughout 2014, for all our customers.

## Managing complaints

During 2013 we introduced a new initiative to increase contact with customers who have a complaint to make sure we have a full understanding of all aspects of the issue and to help us improve our relationship with them at this potentially challenging time.

We improved the way we deal with complaints to help us effectively monitor the concerns being raised by our customers about our products and services.

Our focus on improving our customer service over the last two years has contributed to a fall in FCA reportable complaints, from 478,520 in 2012 to 353,766 in 2013. The number of personal protection insurance complaints we received fell 29% in 2013.

Excluding PPI complaints, we saw an overall improvement with how many customers chose to take their complaint to the Financial Ombudsman Service during 2013 for an independent review.

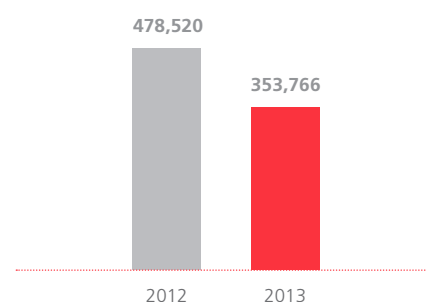
We will continue to work closely with the Financial Ombudsman Service in 2014 to better understand how our approach is impacting our customers, and seek to further improve our complaint handling.

### SATISFACTION BY CHANNEL\*

	2013	2012
Branch	67.8%	64.8%
Contact Centre	52.3%	47.7%
Online	80.0%	78.2%

\* Satisfaction is measured on a scale of 1-7, where 1 = extremely dissatisfied and 7 = extremely satisfied. Net Satisfaction is calculated using the definition: (% answering 6 or 7) – (% answering 1, 2 or 3). 2013 figures only include Q1-Q3 as the survey terminated at the end of Q3. It will be re-started in Jan-14 using a new survey provider.

### CUSTOMER COMPLAINTS\*



\* FCA reportable complaints





### Helping families and students

Our 123 World products are helping our customers to make the most of their money. Over 2.4 million people are now part of our 123 World, demonstrating the popularity of our new product range. The 123 Current Account pays cashback on household bill direct debits and up to 3% interest when the account is in credit, on balances up to £20,000. The 123 Cashback credit card, which offers cashback on everyday spending, helped customers in the run up to Christmas and through the January sales with an additional 1% bonus cashback offer on all Amazon spend during the period.

We continued to offer competitive rates on our ISA savings products and in March we launched a market-leading two-year fixed 3% rate for 123 customers. We also relaunched our student current account in the year, providing a free 16-25 Railcard to all new applicants worth £120 to help them save a third on rail travel.

In July we joined the first phase of the Government's Help to Buy scheme, offering a range of fixed and tracker rates available with a minimum 5% deposit, helping people get their first step on the property ladder or move



house. In September we also launched a new mortgage range, offering customers more flexibility and value. Overall, in 2013 we lent £18.4bn in mortgages to UK homeowners.

### Financial difficulties

We recognise that some customers may sometimes find themselves facing financial difficulties and we are committed to treating them sympathetically, helping them wherever we are able. In 2013, we continued to offer prudent refinancing options, long term arrangements, breathing space and other tailored solutions to those customers.

We work in conjunction with free independent debt advice organisations, and proactively refer our customers to them. During the year we trained our collections advisers to better detect situations where we could offer help to customers who may not be aware of the options available to them.

In 2013, the number of customers struggling to meet their mortgage payments was around the same level as 2012. However, the number of properties that had to be repossessed reduced again in 2013 compared to

### ■ CASE STUDY: MONEYWISE

Through our financial education programme MoneyWise we provided funding of £1.4 million in the year for education charities to deliver projects in schools and universities and to local charities helping disadvantaged people improve their financial abilities.

Pfeg (Personal Finance Education Group) helps schools teach personal finance to students and we fund their 'Centres of Excellence' initiative to support secondary schools in delivering the highest standards of financial education. The Money Charity produces the Student MoneyManual and Santander provided funding for 200,000 students starting university in the autumn to have a copy of the guide. And through the Santander Foundation charities providing money skills and debt management advice are supported through grants for local projects.

2012 and 2011, and is now at a level last seen in 2008. We continue to review and enhance the solutions that we offer, and to focus on providing the right outcome for our customers.

### Flood support

Following the adverse weather conditions over the 2013/2014 winter, we provided special support for our customers and communities impacted by the floods: for mortgage customers, we offered payment holidays or converting mortgage loans to interest only, for farmers, we extended current facilities for a period of up to 12 months and for small businesses, we extended current facilities up to 6 months.

## ■ CASE STUDY: J & B RECYCLING



Hartlepool-based waste recycling business J & B Recycling provides diverse and innovative solutions in waste collection, recovery and recycling to both the public and private sectors. It currently provides services for more than 800 customers, including all five Tees Valley local authorities, Middlesbrough's James Cook Hospital and Sage UK.

Following a new £1.9 million refinancing agreement with Santander it is set to expand and move into new markets. The business will be using some of the funding to develop and expand its site in Thomlinson Road after it acquired adjoining land. The area has undergone extensive clearance and the business plans to develop the site over the next couple of years to increase its waste handling efficiency.

"Our main aim is to divert as much waste as possible away from landfill sites, and to increase levels of recycling, and the financing from Santander will mean we are able to significantly remove the to-ing and fro-ing we currently do between our sites and enable us to increase productivity. I've been really impressed with the team at Santander, and the time they've taken to understand our business and vision for the future." Vikki Jackson-Smith, Managing Director of J & B Recycling

## Supporting businesses

Companies want a bank that meets their financial needs, based on a relationship with someone who truly understands their business. Our approach is based on working closely with SMEs and corporate customers, helping them to grow by providing products and services tailored to their individual requirements, and through relationship managers based in their local communities.

We now have 50 regional Corporate Business Centres around the UK to support local business communities and we hired almost 150 new relationship managers in the year.

## Investing in our services

We made a significant investment across our systems and products during 2013 to better meet the needs of our customers including the launch of a new online corporate banking system 'Santander Connect', and to make it easier for customers to carry out their day-to-day banking a new dedicated Commercial Service Centre. We expanded our SME asset finance capabilities in the year by working with LeasePlan and Macquarie.

Lending to businesses was up by 13% in the year and alongside traditional finance we launched a number of new programmes supporting British businesses including:

- a series of live Web TV Masterclasses for UK businesses looking for advice and support featuring guest speakers including the British Chamber of Commerce.
- an event with the Association of Corporate Treasurers for large corporate businesses and SMEs to hear about the benefits of supply chain finance.
- a portal for SMEs looking to expand internationally, providing information on overseas markets, business partners, sectors and international fairs and events.

We also established a partnership with the Start Up Loans Company, a government funded non-profit organisation that helps entrepreneurs between 18-30 years to start their own business. We are making £25 million available to entrepreneurs looking to fund the next stage of growth of their business, as well as providing two years' free Business Banking.

In October, we launched a new partnership with The Times to provide a practical advice programme entitled SME – Successful Modern Entrepreneur. The programme includes a series of supplements and summits and an online hub designed to provide businesses with tried and tested, actionable strategies they can use to grow their business. The first summit took place in London in November for 300 SMEs.





Breakthrough Masterclass: McLaren Technology Centre

## Santander Breakthrough

Santander Breakthrough was launched in 2011 to help fast-growing SMEs with the ultimate aim to boost economic recovery and local employment. Alongside specialist finance for fast-growth SMEs, we provide them with the resources and knowledge they need to achieve their growth potential. During 2013 over 370 businesses benefitted from the Breakthrough programme.

- Events – live events and roundtables providing an opportunity for owners and managers to meet their peers, learn from successful entrepreneurs and debate issues with Santander's CEO Ana Botín. Around 275 SMEs attended ten regional events.
- Masterclasses - giving managers of growing businesses the opportunity to experience first-hand how other fast-growth businesses and iconic brands have achieved their success. In 2013 we took 50 fast-growth SMEs into Saatchi Masius, McLaren, UKTV and intellectual property experts Breeze & Wyles. And we held a CSR Masterclass at the GE Aviation plant in Caerphilly for 30 Welsh SMEs.

- International - working in collaboration with the UK Trade & Investment, we are providing SMEs with overseas trade missions, to meet potential customers and suppliers and identify new opportunities for growth. In 2013 we took 23 businesses on three trade missions (to Brazil and two to New York), one of which was specifically for female entrepreneurs.

- Growth Capital - we lent £13.25 million in mezzanine-type debt to 15 fast-growth companies in 2013.

### Responsible small business

Santander has a long-term partnership with Business in the Community (BITC), supporting their range of initiatives aimed at helping SMEs to develop and embed CSR, including their Responsible Business Check-Up for SMEs and the Responsible Small Company Award that recognises CSR excellence.

We funded new research from BITC into the business case for large companies to work with SMEs which was launched in April 2013, as part of the business charity's Responsible Business Week. Called 'Access to Growth & Innovation' the report outlines six benefits for big

business: strengthened supply chains, access to innovation, business growth and financial returns, alongside reputational benefits and employee engagement. The study led to the development of a new enterprise strategy for BITC which aims to "build sustainable communities by helping SMEs to create jobs across the UK" and Santander will be working with the charity to fund a new series of initiatives in 2014 to support this goal.

■ ■ Being on the ground in Brazil was a fantastic and eye-opening experience. The ability to meet our contacts face to face helped us understand the market in much greater detail and develop relationships with people who can help our business flourish, thanks to Santander and the UKTI.

■ ■

Sam Ellis  
Finance Director, Mug-Off



“ The Santander SEDA Award has been crucial to the continued development and success of IncomeMAX. We’ve invested in new systems, office space and staff training, as well as new budgeting tools and services for our clients. As a result of the support Santander have provided, IncomeMAX will help thousands more households to improve their financial situation every year.

”

Lee Healey  
Managing Director, IncomeMAX CIC

### Supporting social enterprise

The Santander Social Enterprise Development Awards support growing social enterprises, to help them increase their social impact and create employment. In 2013, 95 social businesses were selected to receive a financial prize to fund a growth project, along with a programme of business support.

A year on from their award win the 60 winners from 2012 reported average income growth of 27%, with 145 permanent jobs created and an additional 4,295 people receiving training on employability skills.

In partnership with UnLtd, the Foundation for Social Entrepreneurs, we launched Spark in 2013, an awards

scheme to encourage peer-to-peer learning between experienced entrepreneurs and those looking to set up a social enterprise. In 2013, 54 projects were supported to help encourage the creation of the next generation of social businesses.



### ■ CASE STUDY: 2013 SEDA WINNER

Lancashire-based Brighter Future Workshop repairs and recycles mobility equipment and provides disabled people with work opportunities. The mobility equipment is sold at affordable prices to those on low incomes. The social enterprise won £50,000 in the 2013 awards to help them expand their business. They are using the funding to train two new technicians in equipment repair as well as investing in improvements to their IT systems and creating a series of marketing materials to promote their services to reach new markets.

Peter Cousins, Director/Chairman, Brighter Future Workshop said: “The Santander award will not only help our business grow but it will ensure we’re able to increase the number of people we can help in the area with mobility issues and provide important on-the-job experience to disabled people in Lancashire.”

# PEOPLE

Our aim is to be the best bank to work at for our people; it is the key to creating value for all our stakeholders. This means providing excellent career progression and encouraging accountability and teamwork. We are committed to supporting diversity and creating an inclusive culture where all our people feel valued and able to fulfil their potential.

## Skilled professionals

Our aim is to recruit, retain and reward the most talented and committed people so that we can provide the best service to our customers.

Our online learning system provides packages of learning and knowledge that draw on pieces of curriculum, and external internet based content, to help staff through semi-structured learning at a pace they choose.

We continued to invest in skills development in 2013 supporting our people in achieving regulatory qualifications through access to dedicated online material and by providing exam revision workshops. 495 people were supported in gaining qualifications to further their expertise in areas such as risk management, audit and financial management.

## Career development

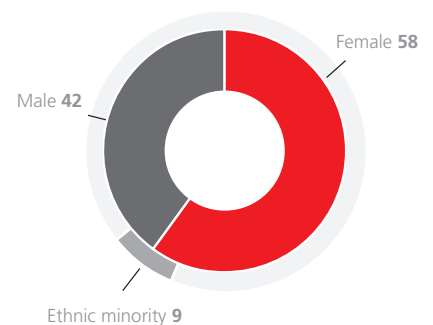
In 2013 we launched Career Choices, a new online tool which helps staff to explore and compare roles across the bank and guides them through an action plan to help them achieve their career aspirations. Employees can review their skills and compare them to the skills required in the role they are interested in. A series of Learning & Talent solutions then helps them to develop.

We provide a talent and succession planning tool for managers that gives an insight into how we can best support career development in Santander. Our development and mobility committees provide tailored development support for senior managers and executives. One of the key ways we personalise development for senior staff is to provide business coaching and internal mentoring, maximising on job development, in addition to formal training programmes.

## Performance management

During 2013 we developed a new approach to performance management. Performance Excellence supports and develops performance across Santander UK and we committed that every member of staff will have a performance excellence plan in place for 2014 that will set out what needs to be achieved and how it will be achieved - by working in The Santander Way.

## EMPLOYEE BREAKDOWN (%)



# 97,042

training days taken by  
Santander UK staff in 2013



## Promoting diversity

We celebrate diversity through regular internal communications, focusing on important cultural events and faith festivals to raise awareness of different cultures and improve inclusivity. Our range of networks encourage employees to connect on issues related to sexuality, disability, gender and culture through: Embrace, Enable, Women in Business and Cultural Awareness.

During the year more than 250 senior leaders attended our Inclusive Leadership course helping to break down barriers and unconscious bias.

We participated in the Business Disability Forum's Disability Standard and worked with the 'Great with disability' online recruitment site to attract and support disabled candidates to Santander.

## Focus on women

Gender equality is a focus area for us and our newly created Women in Business network tripled its membership during 2013 and was nominated for Employee Network of the Year at the Employers' Network for Equality & Inclusion awards. We achieved bronze status in the Opportunity Now gender equality benchmarking and were also featured in The Times Top 50 Employers for Women list for the third consecutive year in 2013.

## Work/life balance

To coincide with National Work/Life Week we re-launched our policies that support positive work/life balance including Flexi Working, Flexi Leave, Voluntary Home Working and Career Break.

We sponsored the Working Families podcast series for National Work/Life Week in October which featured guides on unlocking performance, balance and wellbeing.



## ■ CASE STUDY: SUPPORTING YOUNG PEOPLE

Our Early in Career programme provides a co-ordinated approach to attracting young people and people new to our sector in to Santander. For school leavers the 'Flying Start' development programme supports employees to achieve a degree level qualification and 25 people joined Santander on the scheme in 2013.

Santander Apprenticeships provide a qualification in either Customer Services or Providing Financial Services and 153 people joined the programme in 2013. Career Gateway is our new initiative for graduates who have typically gained some work experience post degree and 28 joined us in 2013. And we recruited 67 graduates onto our traditional graduate programme in the year.

Santander UK is a signatory to the government's Business Compact, committing the bank to providing employment opportunities to people from diverse backgrounds. Through our partnerships with Career Academies UK, Common Purpose and Social Mobility Foundation we provided 57 young people with paid summer internships in 2013.



### Reward and remuneration

Pay in the financial services sector has continued to be a high profile issue. However, as a predominantly retail-focused bank, the figures often quoted in the media are not reflective of our business. We ensure that our reward policies and practices are compliant with the requirements of our two regulators.

In 2013 we simplified our approach to salaries by introducing a Job Family framework to manage pay levels across the bank where common types of roles are placed in the same salary range and these ranges are benchmarked against the median levels for the industry.

In early 2014 we announced that the bank's national minimum salary will be increased to match the national living wage and London living wage for both new and existing employees from 1 March 2014.

### Pension provision

We look to provide staff with pension arrangements that are fair, competitive and sustainable. All our employees are eligible to join one of our pension schemes and in May 2013 we implemented Auto Enrolment in accordance with the regulatory requirements and 83% of our eligible colleagues are now in a pension scheme. We provide pre-retirement courses for employees aged 55+.

### Flexible benefits

We provide staff with a range of benefits that aims to reflect the diverse nature of our workforce. The flexible scheme is called 'You choose...' and it offers employees the opportunity to select from a suite of 18 benefits ranging from critical illness and medical insurance to Apple products. Over 12,000 employees currently take benefits through the scheme.

**83%**  
eligible employees in a  
Santander pension scheme



## ■ WELLBEING SURVEY

In June we issued a health and wellbeing survey to our employees to evaluate work and non-work-related stress. Over 4,000 staff responded, telling us about the day-to-day concerns they experience inside and outside work.

The most frequently mentioned concerns were money worries, concerns about the future, caring for family members and work-related issues of workload and job conditions.

We are addressing these concerns through divisional action plans and will be using the results to focus our approach to wellbeing in 2014.

## Health, Safety and Wellbeing

We are committed to creating a safe and healthy environment for our employees and our Health and Safety Consultants carried out over 650 site visits, providing on-site assessments, practical advice, training, coaching and support to line managers across the business during the year.

We provide quarterly Health and Lifestyle Updates which give employees a broad range of informative, seasonal articles about health, safety and wellbeing, both at work and at home.

Santander UK provides staff and immediate members of their family with an Employee Assistance Programme offering free, confidential telephone advice and support. Staff can also access face-to-face counselling in appropriate cases.

### Workwell Model

Santander UK is a member of the Business in the Community Workwell campaign, a coalition of businesses committed to creating happier and

healthier workforces. Suzanne Hughes, Learning, Talent and Development Director, is a member of the Workwell Leadership Team.

The BITC Workwell model encourages businesses to take a strategic, proactive approach to wellness and engagement and provides practical support to help companies take action. The model features four aspects:

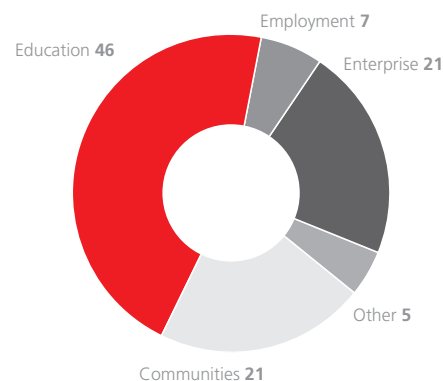
- Better Work
- Better Physical & Psychological Health
- Better Specialist Support
- Better Relationships

Together, these four areas cover the actions businesses need to take to create an environment where employees can make informed, healthy choices. We are committed to implementing the principles of the Workwell model and in 2013 we undertook our first Wellbeing Survey to better understand the issues our employees face and identify ways to support them.



# COMMUNITIES

## AREAS OF SUPPORT (%)



Our business is predominantly focused on retail banking and small and medium-sized businesses and so our community investment strategy is based on supporting local organisations, reflecting our local footprint.

### Supporting local communities

We aim to prioritise our support to society on education, enterprise and employment and our three flagship initiatives – the Santander Foundation which provides grants to local charities, support for students through Santander Universities and Santander Breakthrough which assists small businesses - provided over £15 million of funding in 2013 to the three areas. In total, Santander UK contributed over £21 million to the community in 2013.



### Funding local charities

The Santander Foundation provides grants to UK registered charities that help disadvantaged people, usually in communities where Santander branches and business centres are based and locations where the bank has a significant presence, such as a main office or call centre.

Our Central Grants programme focuses on education, training and financial capability projects and some £1.4 million was awarded in the year through these priorities. Community Plus is targeted at small, local charities and provides a simple process for charities to access funding. The scheme enables customers, staff and charities to nominate a local

charity for a grant of up to £5,000 for projects helping local disadvantaged people and over £2.25 million was awarded to 528 charities in 2013. In total, the Santander Foundation provided grants of £5.8 million to UK charities in the year.

Over  
**2,550** grants  
 were provided  
 to UK charities

Charities are asked to report back on the impact made by Santander Foundation grants a year after the award. We received a 97% return from the 391 surveys sent out in 2013 with 1% reporting some benefits, 18% benefits in line with those stated in the original application, 45% significant long lasting benefits and 36% exceptional long-lasting benefits. The charities also told us that they gained a total of £3 million of additional resources as a result of our funding, 123% of added value leveraged from our donations.





Stoke Goldington First School Community Days project

### Time for the community

In 2013 over 1,700 employees volunteered their time to support good causes. The most popular volunteering initiative is our Community Days scheme which encourages employees to take a day out of the office to support local charities and community groups through practical projects. In 2013, over 1,500 employees provided 7,000 hours of time to make a difference to 118 community projects including gardening, decorating and organising activities for community groups and day care centres.

2013 also saw our staff supporting local schools through governor roles and the Santander WorkWise financial education programme which provides 14-16 year old students with workshops on money and personal finance.

### Supporting staff fundraising

CLIC Sargent was chosen by staff to be our Charity of the Year partner for 2013 and fundraising events in the year included Total Wipeout events, a Santander Flame Relay and an international trek to Macchu Picchu. Together staff and customers raised a record-breaking £1.4 million to fund the charity's eight Homes from Home centres for young children undergoing cancer treatment and their families.

In 2013 we also supported the British Heart Foundation's programme of cycling events and half marathons which raised over £5 million in the year. Over 100 Santander staff took part in the events.

Staff were also supported in raising funds for hundreds of other UK charities with some £2 million contributed to boost their efforts through the Santander Foundation Matched Donation scheme in 2013.



Santander staff provided

**7,000** hours  
to community projects



# SANTANDER UNIVERSITIES

In 2013 Santander Universities UK brought its commitment to higher education to a new level. The signing of new agreements, the extension of the internship programme and the announcement of 1,000 extra scholarships among other initiatives brought the total amount of funding in the year to £8.45 million.

**72**  
university  
partners

**1,445**  
internship  
awards given for students and  
graduates to work in SMEs

**£8.45**  
million  
of funding to higher  
education institutions

## Santander Universities UK in 2013

- 980 scholarships for international students to study in the UK
- 918 mobility awards for UK students and academics to study abroad
- 148 entrepreneurship and enterprise awards
- 273 special projects, including support for business incubators and international symposiums

## 6th UK Vice-Chancellors Meeting

On the 25th of June Santander Universities held its 6th UK Vice-Chancellors Meeting at London's BMA House. Emilio Botín, chair of the Santander Group, Lord Burns and Ana Botín welcomed prominent figures from the financial, academic and political arenas including Rt. Hon. David Willetts, Minister for Universities and Science, and Professor Sir Eric Thomas, President of Universities UK and Vice-Chancellor of the University of Bristol.

During the event Emilio Botín announced a new campaign to help 3,500 students achieve "their hopes and dreams" with an increase in the funding provided to UK universities.

## Scholarships and awards

As part of the '3,500 Hopes and Dreams' campaign, the number of scholarships provided to university students increased from 1,500 last year to 2,000 in 2013.

Santander Ambassador Jenson Button took his McLaren Formula 1 car to the BMA House event in June and joined the Chairman in awarding the 4th edition of the Formula Santander scholarships.

100 students from Santander university partners received scholarships of 5,000 euros each to study abroad. 2013 saw Mexico join the scheme alongside the UK, Spain and Brazil in this multinational initiative to increase internationalisation.

## Internships

The increase in funding commitment also saw the internship scheme, which was launched in 2012, treble the number of opportunities given to young students and recent graduates from 500 to 1,500. This innovative programme which brings together universities, SMEs and Santander to provide three-month paid internships has proven very popular with students and businesses alike, helping the students to improve their employment prospects.



## NEW UNIVERSITY PARTNERS IN 2013

- University of Aberdeen
- University of Salford
- University of Lincoln
- University of West of England
- Birbeck, University of London
- University of Buckingham



The 5th Santander Universities UK Vice-Chancellors Meeting, London

### Entrepreneurship

The third edition of the Santander Universities Entrepreneurship Awards were held in June with our partner universities. The first prize in the undergraduate category went to the University of Strathclyde for an innovative knee protector product, branded as the Raptor Knee Protector. In the postgraduate category the prize went to the University of Liverpool for I-Solarlite, a company which aims to harness solar energy on a large scale to provide renewable electricity for the quarter of the world's population who currently operate without electricity in developing countries.



**2,000**  
scholarships  
and student awards

### University lectures

Santander UK board members visited universities throughout 2013 to speak to the university community about topics related to business issues and the economy. Ana Botin delivered lectures in Southampton, Warwick, Strathclyde, Exeter, King's College London, Loughborough, Lancaster and Queen's University Belfast.

Steve Pateman, Head of Banking, Santander UK undertook a universities lecture tour to talk to students about "The state of the UK economy". Surrey, Leicester, Sheffield, Kent, Oxford, Stirling, Goldsmiths and Newcastle were visited. And Lord Burns visited the University of Salford to speak to students, staff and local businesses about "Managing through difficult times".

### Smart Card technology

Emilio Botín visited the University of Roehampton and with Vice-Chancellor Professor Paul O' Prey launched a Santander university ID Smart Card. The Smart Card was available to all first year students during Registration Week in September. Over 2,000 students received the card which combines ID needed to access certain buildings, including the library, and a debit card where the student has a bank account with Santander.

### Santander Universities Global Division

- 1,115 agreements with universities in 20 countries
- 22,422 scholarships and grants
- 142 million Euros of funding to higher education institutions
- 7,159 Internships in SMEs



# SUPPLIERS

## Supply chain management

We aim to ensure that our purchasing activities are based on the principles of responsible procurement. We require all staff negotiating with suppliers to abide by our Manual of Conduct in Supplier Relationships that includes the need to be professional and unbiased in all dealings, to avoid conflicts of interest and to maintain the confidentiality of information.

In order to treat potential and current suppliers fairly our Cost Management & Procurement Policy includes a structured process for managing proposals received from suppliers and e-auctions are used whenever possible to minimise subjectivity.

Our key areas of spend are technology, operations and property and in 2013 we spent £1.6 billion with 2,047 external suppliers and intra-group companies, to purchase the goods and services we need to run the business.

## CSR codes

The processes for supplier selection and authorisation and for checking the ongoing suitability of existing suppliers take into account the extent to which they have established codes of conduct, certifications or other internal regulations that comply with recognised CSR guidelines. New contracts include a clause requiring suppliers to follow the principles of our CSR Protocol, where relevant. The protocol is based on the UN Global Compact and covers human rights, labour standards, environment and anti-corruption.



## Responsible payment

We are a signatory to the Prompt Payment Code, which encourages best practice in paying suppliers, and we are actively working to identify and address issues preventing invoices being paid, to improve our performance. Our standard terms are 30 days and we aim to pay our suppliers in line with agreed payment terms. Independent figures from Experian show that our payment performance in 2013 was an average of 16 days beyond terms compared to the banking and finance industry average of 34 days.

## Driving improvements

In 2013 we established a Working Group to create and deliver a plan to improve our responsible purchasing processes and engagement with our suppliers. Achievements during the year included:

- An information pack was developed on the principles of sustainable procurement and circulated to all staff involved in sourcing and to those responsible for managing supplier contracts to ensure a common understanding of ethical sourcing.
- A new online learning course, created by Santander Group on the issue of sustainability, was rolled out to staff negotiating with suppliers.
- A new Supplier Forum initiative was developed to discuss sector-related issues with suppliers and potential suppliers to improve our understanding of industry dynamics, and to forge positive partnership-based relationships. The first event was held in November with supplier representatives attending from the Legal profession.





Prince of Wales' Seeing is Believing procurement event

### Focus on SMEs

As part of our partnership with Business in the Community, our Procurement team worked with the business-led charity on a new supply chain initiative to help level the playing field for SMEs.

An industry working group was established with representatives from ten large companies, including Santander, to develop a set of principles to ensure SMEs have a fair chance in the sourcing processes of large businesses. The principles were launched as part of Responsible Business Week in April and Santander was one of the first businesses to sign up to the 'Access Pledge' which resulted from the development of the principles, committing us to review our procurement practices and to improve transparency in order to encourage more SMEs to bid for contracts.

As a result of our pledge we introduced a new tracking system to establish which of our suppliers are SMEs and of 359 new contracts agreed during 2013 35% were awarded to SMEs\*. This represents over £126 million of value provided to SMEs through our purchasing.

We are also providing funding to BITC for a series of 'Meet the Buyer' events for SMEs as part of our commitment to the Access Pledge. Two events took place in 2013, in London and Manchester focused respectively on the Creative and Construction industries. Guests heard from buyers at companies in their sector on procurement practices, providing an insight into the best way to access large businesses. A further six industry-specific events will take place in 2014.

We will continue to develop our approach to responsible procurement and focus on improving our communication with suppliers and potential suppliers, to ensure they understand our processes and know how to deal with us.

**35%**   
of contracts  
awarded to SMEs

### ■ CASE STUDY: SUPPORTING SMEs

We funded a Business in the Community 'Seeing is Believing' event specifically for Procurement directors to look at what more could be done for SMEs. Twelve procurement directors visited a series of projects in the east end of London that are supporting small businesses and start ups.

The day provided the directors with valuable insight into the issues facing SMEs and the barriers to growth that could be alleviated by corporates opening up their supply chains. A follow up visit is planned for 2014, for non-procurement professionals to help raise the profile of the issue with other key business functions.

\* SME is defined as less than £10m turnover or 250 employees.

# ENVIRONMENT

Our Environmental Management System (EMS) provides a framework for defining responsibilities and processes in relation to waste, energy, water, travel and supply chain management at our 14 major offices in the UK. The head office in London is also compliant with ISO 14001 certification.

## Energy usage

The Santander Group energy efficiency project '20-20-15' aims to reduce energy consumption by 20% and CO<sub>2</sub> emissions by 20% by 2015 across all the main markets, including the UK. Our electricity is sourced from 'green' supplies - on the British mainland from bio-mass via Haven Power and in Northern Ireland from wind and other forms of natural green energy via Airtricity.

Smart meter technology has been installed across the business and we are now able to track the individual performance of our properties. This allows us to monitor ongoing consumption profiles, and alter plant operational times in line with the requirements of each property, reducing energy wastage. Energy usage in 2013 for electricity and gas remained fairly static, despite the continued growth of the business, however with the green energy contracts established in the year our carbon footprint has been reduced by almost 30,000 tonnes of CO<sub>2</sub> and we've reduced our carbon footprint by 60% since 2010.

## Green financing

Santander is one of the largest financiers in the renewable energy market in the UK. In 2013 we financed four solar energy parks with £89 million of investment. Amongst these was a major new solar energy plant in Suffolk which will be one of the largest utility-scale ground-mounted solar PV projects to be built in the UK. This will provide a capacity of 31.6 MW of renewable energy and will supply 8,000 homes per year once completed.

2013 also saw Santander provide £88 million in funding to three new wind farms and further funding of around £80 million is planned for four wind farms in 2014.

## Resource management

Around 98% of the waste produced at our offices and branches, covering paper, plastic, aluminium and general waste is recycled or sent to incineration and our goal is to have a zero waste to landfill rate. The roll-out of food waste management was achieved during the year using an Energy from Waste (EfW) process, which provides energy to the National Grid.

The amount of waste produced at Santander in 2013 increased slightly, due to new waste streams being recorded such as food and batteries, however overall waste produced has reduced by c. 32% compared to 2011.

## Paper usage

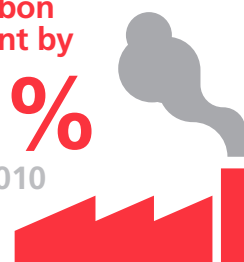
We use a relatively significant amount of paper as part of our everyday business for head office printing, photocopying, stationery supplies and customer and marketing literature. We are now able to capture envelope and card volumes which has resulted in an overall increase of 30% year-on-year. On a like-for-like basis on photocopier and printing paper however there was an overall decrease of 12% and 15% respectively 2013.

Our print suppliers have ISO 14001 certification and maintain full FSC chain of custody. In 2013 we changed the type of A4 copier paper we use from non-certified to FSC certified and the weight of the paper also decreased.

In October 2013 we launched a project to automatically move our online banking customers to paperless statements, with the ability for customers to opt-out if they preferred to maintain the paper option.

We've reduced our carbon footprint by

**60%**  
since 2010



Santander provided

**£88m**

in funding to three new windfarms

**98%**

of the waste

produced at our offices and branches

is recycled or incinerated







Carlton Park office, Leicester

### Business travel

2013 saw an increase in overall travel of around 18% year-on-year, in line with the growth of the business and the increasing global development of the Group. We are committed to reducing CO<sub>2</sub> emissions through employee travel and in February we implemented the "Change the way we work" programme. Through the programme we are promoting video and telephone conferencing and we invested in additional video conference rooms in our main office locations. We also developed a stricter pre-travel review process on our online booking tool which allows managers to review and question as well as decline trips that may not be necessary.

### Employee engagement

The Go Green campaign aims to encourage staff to adopt more environmentally friendly and sustainable behaviours. New 'Together we're Greener' and 'Reduce your Carbon Footprint' campaigns were launched in the year to encourage staff to make simple changes such as turning off IT and electrical equipment and switching to two-side printing to reduce paper. Go Green roadshows took place in five regional office buildings in 2013 and staff were able to talk to experts and take part in environmentally themed games and competitions.



#### ■ CASE STUDY: RETAIL ENERGY CAMPAIGN

In 2013 we launched an energy reduction campaign specifically targeted at our Retail division called Kill-A-Watt Challenge to encourage staff in our branches to reduce their energy usage. Each branch was asked to appoint a Green Champion to drive the four week challenge and received a pack of advice and materials.

Between May and December 599 branches undertook the challenge achieving a reduction of 353,683 kWh compared to the same period the previous year. This equates to an average 15% reduction per branch and displaces 157 tonnes of CO<sub>2</sub> emissions.

The Green Club environment champions scheme was boosted by the Kill-A-Watt campaign and at the end of the year, 759 employees were signed up as a Green Champion, an increase of 243% compared to 2012.

## Key data

CUSTOMERS	2013	2012
Number of active customers (million)	14	15
Number of branches & agencies	1,156	1,200
Customer satisfaction <sup>1</sup>	58%	55%
Customer complaints <sup>2</sup>	353,766	478,520

1. Financial Research Survey - independent monthly survey of c. 5,000 consumers covering the personal finance sector, run by GfK. The "Overall Satisfaction" score refers to the proportion of extremely and very satisfied customers for the three month rolling average. 2. FCA Reportable complaints.

EMPLOYEES	2013	2012
Total employees <sup>1</sup>	19,643	20,340
Total female employees	11,484	12,006
Total male employees	8,159	8,334
Total full-time employees	16,508	17,078
Total part-time employees	3,135	3,262
Total ethnic minority employees <sup>2</sup>	1,801	1,897
Total employees aged over 50	2,836	2,744
Average Days absent per employee	6.49	6.59
Employee Turnover %	12.82%	14.96%
Average length of service (years) <sup>3</sup>	8.61 yrs	8.43 yrs

1. Total number of Santander UK employees at 31 December 2013, on a full-time equivalent basis. Male/female, full-time/part-time and 50+ breakdowns use an average for overseas-based FTE, as profile data is not available. All other data does not include the overseas employees. Re-stated for 2012 to account for only Santander UK company employees. 2. Based on 10,680 FTE who completed the voluntary self-declaration option on profile monitoring forms. 3. Re-stated to align with widely used external benchmarking definition - turnover on an average of the previous 12 months (replacing the Period End figure) and headcount (replacing FTE)

### Learning

Total number of training days <sup>1</sup>	97,042	80,116
Average number of training days per employee <sup>2</sup>	4.12	3.25
Average £ invested in training per employee <sup>3</sup>	£425	£432
% of staff to have undertaken learning <sup>4</sup>	95.6%	97.8%
% of staff to have undertaken F2F learning <sup>4</sup>	24.4%	26.2%
% of staff to have undertaken eLearning <sup>4</sup>	95.5%	97.8%

1. Total amount of training undertaken by all Santander UK staff (classroom-based, e-learning based on a 4 hour day) as recorded in Santander LMS. 2. Based on total 'delegate days' as recorded in Santander LMS & average of month-end Santander UK FTE. 3. Based on total Learning budget spend and average of month-end Santander UK FTE. 4. All active Santander UK staff at year-end; learning as recorded in Santander LMS

### Health and Safety

Minor accidents	253	286
Accidents resulting in over 7 day absence	6	5
Major accidents	4	10

COMMUNITIES	2013	2012
<b>Areas of support</b>		
Communities	£4,658,113	£4,579,679
Education	£9,888,037	£7,830,374
Employment	£1,447,192	£787,586
Enterprise	£4,636,266	£5,729,370
Other	£1,004,913	£538,436
<b>Total value of community investment</b>	<b>£21,634,521</b>	<b>£19,465,444</b>

■ COMMUNITIES CONTINUED	2013	2012
<b>Santander Foundation</b>		
Matching staff fundraising	£2,018,015	£1,678,384
Community grants	£2,261,416	£1,231,620
Central grants	£1,548,742	£1,189,484
<b>Total value of grants</b>	<b>£5,828,173</b>	<b>£4,099,488</b>
Number of donations	2,556	2,037
<b>Volunteering</b>		
Community Days projects	124	131
Total number of volunteers	1,779	1,916
Value of volunteering time	£107,675	£173,260
<b>■ ENVIRONMENT<sup>1,2</sup></b>		
<b>Fuel sources (MWh)</b>		
Electricity - Green Biomass	181,272	113,880
Electricity - Brown	0	68,408
Gas	42,012	40,979
<b>Total energy use</b>	<b>223,284</b>	<b>223,267</b>
Oil (Litres)	66,365	50,785
<b>CO<sub>2</sub> emissions from fuel (tonnes)</b>		
Electricity - Green Biomass	0	0
Electricity - Brown	0	30,262
Gas	7,813	7,621
Oil	176	135
<b>Total CO<sub>2</sub> released</b>	<b>7,989</b>	<b>38,018</b>
CO <sub>2</sub> released per FTE	0.33	1.52
<b>Resources</b>		
Waste collected (tonnes)	6,391	6,401
Waste Diverted from Landfill (tonnes)	6,234	6,230
Waste Diverted from Landfill (%)	97.50%	97.30%
Paper (Kg)	6,720,191	5,241,530
Water (m <sup>3</sup> )	300,012	289,007
<b>Business travel (km)</b>		
Air travel – domestic	5,955,029	5,165,682
Air travel – short haul Europe	8,207,320	7,432,756
Air travel – long haul International	4,205,554	3,795,251
Car	29,328,033	24,225,779
Rail	10,717,384	9,019,540
<b>Total</b>	<b>58,413,320</b>	<b>49,639,008</b>
<b>CO<sub>2</sub> from business travel (tonnes)</b>		
Air travel – domestic	1,934	1,678
Air travel – short haul Europe	1,571	1,423
Air travel – long haul International	948	855
Car	5,474	4,871
Rail	523	440
<b>Total</b>	<b>10,450</b>	<b>9,267</b>

1. All 2012 CO<sub>2</sub> emissions figures have been restated using 2013 Defra carbon conversion figures. This year, for the first time, we have included a radiative forcing factor in our carbon conversion factor for air travel.

2. Due to bill reconciliation and improvements in backdated energy and water data, some 2012 consumption figures have been revised from estimates to actuals.

## GRI Indicators

### STANDARD DISCLOSURES: PROFILE

GRI indicator	Page Ref / Resource	Notes
<b>1. Strategy and Analysis</b>		
1.1 Statement from the senior decision-maker of the organisation	3	
<b>2. Organisational Profile</b>		
2.1 Name of organisation	2	
2.2 Primary brands, products and/or services	2	
2.3 Operational structure of the organisation	4	
2.4 Location of headquarters	Back page	
2.5 Number of countries where the organisation operates	-	UK only
2.6 Nature of ownership and legal form	2	
2.7 Markets served	2	
2.8 Scale of reporting organisation	2	
2.9 Significant changes during the reporting period	-	No changes
2.10 Awards received in the reporting period	2	
<b>3. Report Parameters</b>		
3.1 Reporting period	8	
3.2 Date of most recent previous report	8	
3.3 Reporting cycle	8	
3.4 Contact point for questions regarding the report	Back page	
3.5 Process for defining report content	8	
3.6 Boundary of the report	8	
3.7 State any specific limitations on scope/boundary	-	No limits on scope or boundary
3.8 Basis for reporting on joint ventures, etc	-	Santander UK plc only, no other entities reported on
3.10 Explanation of any effects of any re-statements	-	None made
3.11 Significant changes from previous reporting periods	-	None made
3.12 Table identifying the location of Standard Disclosures in the report	32	
3.13 Policy and practice with regard to external assurance	34	
<b>4. Governance, Commitments and Engagement</b>		
4.1 Governance structure of the organisation	6	
4.2 Indicate whether the Chair is also an executive officer	6	
4.3 State the numbers of independent and/or non-executive directors	6	
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	10	
4.14 List of stakeholder groups engaged	10	
4.15 Basis for identification and selection of stakeholders	10	
4.16 Approaches to stakeholder engagement	10	

### STANDARD DISCLOSURES: PERFORMANCE INDICATORS

GRI indicator	Page Ref / Resource	Notes
<b>Economic</b>		
EC1 Direct economic value generated and distributed	5	
EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change	28,29	
EC3 Coverage of the organisation's defined benefit plan obligations	AR	
EC4 Significant financial assistance received from government	-	None received
EC8 Development and impact of infrastructure investments and services for public benefit	12-17	



**Environmental****Materials**

EN1 Materials used by weight or volume

31

**Energy**

EN3 Direct energy consumption by primary energy source

31

EN5 Energy saved due to conservation and energy efficiency improvements

31

EN6 Initiatives to provide energy-efficient or renewable energy-based products and services

28

**Water**

EN8 Total water withdrawal by source

31

Water source: mains

**Emissions, effluents and waste**

EN16 Total direct and indirect greenhouse gas emissions by weight

31

EN17 Other relevant indirect greenhouse gas emissions by weight

-

None reported

EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved

28,29

EN22 Total weight of waste by type and disposal method

31

EN26 Initiatives to mitigate environmental impacts of products and services

28,29

**Compliance**

EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

-

No violations

**Transport**

EN29 Significant environmental impacts of transporting members of the workforce

31

**Social: Labour practices****Employment**

LA1 Total workforce by employment type, contact and region

30

LA2 Total number and rate of employee turnover by age group, gender and religion

30

**Labour/management relations**

LA4 Percentage of employees covered by collective bargaining agreements

-

All employees below director level

**Occupational health and safety**

LA7 Rates of injury, occupational diseases, lost days and absenteeism

30

**Training and education**

LA10 Average hours of training per year per employee by category

30

LA11 Programs for skills management and lifelong learning that support the continued employability of employees

18

LA12 Percentage of employees receiving regular performance and career development reviews

18

**Diversity and equal opportunity**

LA13 Composition of governance bodies and breakdown of employees per category according to age, gender, minority and other indicators of diversity

30

**Social: Society****Community**

SO1 Percentage of operations with implemented local community engagement, impact assessments and development programme

-

All UK operations covered by community programme activities.

**Public policy**

SO6 Total value of financial and in-kind contributions to political parties, politicians and related institutions

-

No political payments made

**Social: Product responsibility****Product and service labelling**

PR3 Type of product and service information required by procedures

14-15

PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction

13

Based on the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, Version 3.1  
 Our external auditors have checked our reporting and confirmed it to be Application Level C+ (Third-party-checked)  
 AR - the indicator information is disclosed in the Santander UK plc Annual Report on Form 20-F



## ASSURANCE STATEMENT

### **SGS UNITED KINGDOM LTD'S STATEMENT ON SUSTAINABILITY ACTIVITIES IN THE SANTANDER UK PLC CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2013**

#### **NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION**

SGS United Kingdom Ltd was commissioned by Santander UK to conduct an independent assurance of the Corporate Social Responsibility (CSR) Report 2013. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and 2013 data in accompanying tables, contained in the following sections of the report: Customers: People; Communities; Santander Universities; Suppliers; Environment; Key Data; GRI Index.

The information in Santander UK plc's CSR Report 2013 and its presentation are the responsibility of the directors and the management of Santander UK plc. SGS United Kingdom Ltd has not been involved in the preparation of any of the material included in the Santander UK plc CSR Report 2013.

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

This report has been assured at a moderate level of scrutiny using our protocols for:

- evaluation of content veracity;
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines G3.1 (2011).

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

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

#### **STATEMENT OF INDEPENDENCE AND COMPETENCE**

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS United Kingdom Ltd affirm our independence from Santander UK plc, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment.

#### **VERIFICATION/ ASSURANCE OPINION**

On the basis of the methodology described and the verification work performed, we are satisfied that the verified information and data contained within the CSR Report 2013 is accurate, reliable and provides a fair and balanced representation of Santander UK plc's sustainability activities in 2013.

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

**GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES G3.1 (2011): CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

In our opinion, the Santander UK plc CSR Report 2013 meets the content and quality requirements of the Global Reporting Initiative G3 Version 3.1 Application Level C+.

**Principles** – In our opinion the content and quality of the report adheres to the ten GRI Principles. Opportunities were identified for consideration in future reporting cycles to ensure continual improvement, including:

- For the material issues included in the report, information should be provided to demonstrate the materiality analysis performed and how stakeholder feedback was used to identify these issues.
- More information should be provided on how stakeholder engagement has directly informed report development.
- The inclusion of, and linkage of performance to, the organisation's medium and long term sustainability goals would provide a wider context for understanding the organisation's sustainability strategy.
- Reference to industry benchmarks and standards would provide a useful context for stakeholders to evaluate Santander's sustainability performance.

**Standard Disclosures** – All the standard disclosures required for reporting at an application level C+ were included or referenced in the report.

**Indicators** – More than the required minimum number of core indicators required for reporting at an application level C+ are included in the report, and the report also includes information on additional indicators.

It is recommended that Santander UK plc uses the GRI G4 standard, with reference to the Financial Services Sector Supplement, for the 2014 report. It is also recommended that the organization considers assurance against the AA1000 AS (2008) standard for future reports.

Authorised by:-



**Jan Saunders**

**UK SSC Business Manager**

**For and on behalf of SGS United Kingdom Ltd**

**Reg Office: Rossmore Business Park, Ellesmere Port, Cheshire CH65 3EN**  
**Registered in England No: 1193985**

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**SGS United Kingdom Ltd**

**Birmingham June 2014**

**WWW.SGS.COM**

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We want to make sure this report is sent to you in the best format. So, if you need it in large print, Braille, audio or in some other format, please let us know using the above contact details.

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