

Santander UK Group Holdings plc

Sustainability Report 2016

Simple Personal Fair
What a bank should be



Our purpose is to help people and businesses prosper

We are guided by our values of Simple, Personal and Fair not only in the way we treat customers and employees but also how we run our business in ethical and environmentally conscious ways.

Managing our corporate social responsibilities

Our approach to corporate social responsibility (CSR) and sustainability is based on our key stakeholder groups: employees, customers, communities and shareholders.

We consider how we deal with our customers and employees, how we manage our ethical and environmental responsibilities, work with our suppliers and support the communities where we are based. Our initiatives that address our main sustainability responsibilities for these primary groups include:

- Santander MoneyWise which supports financial capability to help people better understand and manage their money.
- Santander WorkWise which supports the development of skills, training and job opportunities to help address youth unemployment.
- An Environmental Management System, monitoring our use of energy and water, and management of waste and CO₂ emissions.
- A procurement policy which governs our supply chain management and includes measures to make sure we treat our suppliers fairly.
- A community investment strategy which supports local communities where our branches, banking centres and offices are located, building skills, knowledge and innovation.

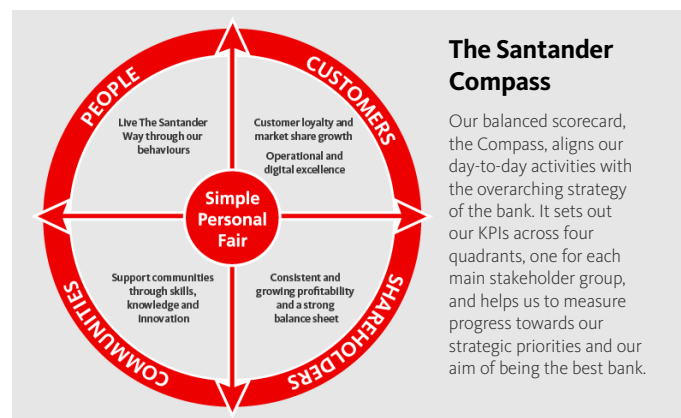
Managing sustainability

A range of forums and working groups ensure we are appropriately focused on managing our CSR and sustainability responsibilities. Our environmental impacts are coordinated via three key forums – the Environmental Focus Group and the Energy Focus Group, both of

which feed into our Sustainability Working Group. Our work with our third party suppliers is coordinated via the Supply Chain Working Group. We strive for an inclusive culture and know that it's essential that our workforce reflects the diversity of the communities we operate in – so our programmes and activities designed to achieve this are managed via our Diversity & Inclusion Forum.

We provide quarterly updates to the Santander UK Board on the performance of our Communities programmes and updates on this and any other CSR and sustainability related topics are provided to the Executive Committee as required.

We use the Global Reporting Initiative G4 framework as a guide for reporting on our CSR activities.



Engaging with our stakeholders

We regularly engage with our people, customers and shareholders, and other stakeholders such as regulators, the government, the media and consumer groups. We make sure we listen to their views to define issues that are deemed as important to society as a whole, as well as our business.

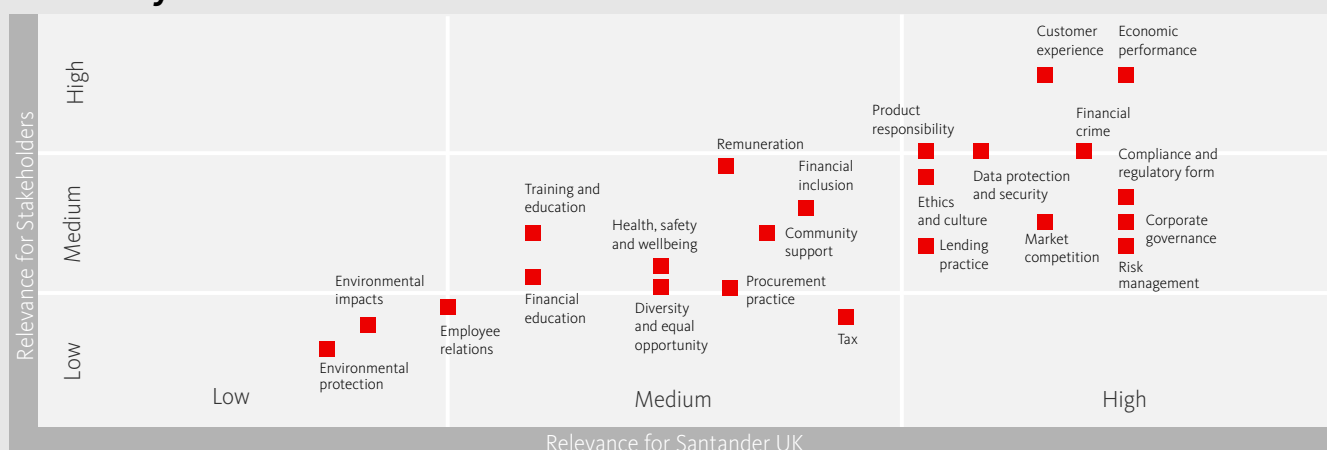
This continual interaction and feedback helps us develop our products, services and procedures and was the source for the materiality assessment we conducted in 2014, in accordance with the G4 process.

The highest ranking issues were primarily related to governance and customer service, reflecting the broader concerns in society following the financial crisis and the historic conduct issues which have affected the banking sector over recent years.

More information

Please read the Santander UK Group Holdings plc Annual Report which includes our Strategic Report and will provide a full understanding of our business.

Materiality assessment matrix



People

We aim to attract, retain and reward the most talented and committed people with first-class development schemes and a workplace that empowers people, encourages individuality and promotes collaboration. A highly motivated and engaged workforce provides the best service for customers.

Helping our people prosper

We provide a full range of skills, development, training modules and career support for our people to develop their potential. In 2016, our people undertook over 169,000 training days and we invested over £11.5 million in employee learning and development.

Investment in employee training and development in 2016

£11.5 million

Equivalent to 8.8 days of training per FTE, up from 4.6 days in 2014

Developing careers with apprenticeships

In addition to traditional training opportunities, we are also developing and offering learning which can be taken at a time and pace to suit our colleagues' individual needs, harnessing the latest technology and supporting the rich diversity of our people and their circumstances.

The Santander Apprenticeship scheme offers successful applicants a full-time role and they receive between 12 and 48 months of training.

We employed 21 degree apprentices in 2016 who are studying a 4.5 year long apprentice programme and have 62 existing retail branch employees who converted to apprentices.

We participate in the government-sponsored Trailblazer Apprenticeship working group looking at the development of a new standard for the financial services sector, to support people early in their career and career changers. We are also working towards a management and leadership apprenticeship for our new managers.

Fair compensation to attract and retain the best people

Our approach is to reward fairly and motivate our people with a competitive package of pay and benefits, based on compliance with the Prudential Regulation Authority (PRA) Remuneration Code. Salary levels are benchmarked against the median level for the industry. We are a Living Wage and London Living Wage employer.

We offer a range of benefits that can be personalised to our people's individual needs with a choice of 18 different options including extra holiday allowances, health benefits and a bike-4-work scheme.

Our people are also provided with pension arrangements that are fair, competitive and sustainable. The Santander Retirement Plan has been our primary pension scheme since 2009. Eligible employees are automatically enrolled and have the choice to opt-out. In 2016, 91% of our people were in a pension scheme.

Employee share-ownership

We offer two HMRC-approved share schemes so that our people can share in the value that we create: Save-As-You-Earn (SAYE) and Share Incentive Plan (SIP). The scheme allows employees to purchase Banco Santander SA shares from their gross salary. We increased SIP limits in 2014 to £1,800 per year, or 10% of pay (whichever is lower). We also increased the maximum saving contribution to SAYE from £250 to £500 per month, and 5% of participants are saving the maximum £500 limit. Overall, 36% of employees have chosen to participate in our SAYE scheme and 38% of employees participate in one or both of our share schemes.

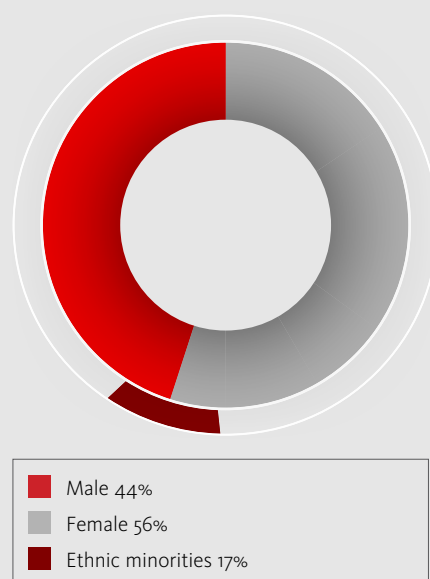
Prioritising diversity

Our inclusive culture, where all our employees are confident they can be who they are at work without feeling discriminated against, is fundamental to our success and our people reflect the diversity of the communities we operate in, the customers we serve and the shareholders we have a financial responsibility to.

We have dedicated employee-led networks which help grow our inclusive culture by providing a place to meet with like-minded colleagues, share ideas and exchange knowledge. All our networks are actively sponsored by an Executive Committee member and we are looking to grow these networks in 2017.

In June 2016 we signed the HM Treasury Women in Finance Charter where we set a 50% (+/-10%) gender target for our senior female population over the next five years. Currently, our executive board is 31% women (nine male and four female members), and our proportion of female senior managers is 27%.

Gender and ethnicity breakdown (%)



Pension participants

91%

Eligible employees in the pension scheme



Actively listening to our people

Our people have direct contact with senior management and are actively encouraged to feedback on policies, strategies and procedures. There are a range of ways available for our people to stay informed and hear first-hand from, and ask questions of, senior executives including monthly conference calls and regional roadshows.

Our online platform, Better Together, is open all year round and gives Santander colleagues the opportunity to submit proposals and ideas on how we can become more Simple, Personal and Fair. In May 2016, colleagues were asked how Santander could bust bureaucracy and simplify the bank. Over 1,000 colleagues took part in the exercise, submitting over 200 ideas, and as a result more than 80 initiatives are underway or have already been delivered.

Our annual employee survey is a key performance measure for engagement with an 84% response rate in 2016. Through actively listening to our employees we can assess our strengths and areas for improvement.

We also have a successful history of regularly consulting with our recognised trade unions on significant initiatives within the business at both national and local levels. Advance and the Communication Workers Union are both affiliated to the Trades Union Congress.

Protecting the wellbeing of our people

A safe and healthy workplace is fundamental to helping our people prosper. Health and safety consultants provide on-site assessments, practical advice, training and support to employees throughout the business.

Our managers are given the tools to foster psychological well-being for their teams with a series of guidelines and courses such as Keeping Pressure Positive and Managing Pressure and Building Personal Resilience. The Employee Assistance Programme gives free and confidential telephone advice, face-to-face counselling and critical incident support, following events like branch raids.

In partnership with the Bank Workers Charity, our people also have access to Santander Personal Support Services that provide practical, emotional and, in some cases, financial support for a broad range of lifestyle issues.

Building a Simple, Personal and Fair culture

We are committed to maintaining high ethical standards adhering to laws and regulations, conducting business in a responsible way and treating all stakeholders with honesty and integrity. Santander UK's Code of Ethical Conduct requires our people to act with the highest standards of business conduct to protect our reputation and contribute to a culture that is free from corruption, risk of compromise or conflicts of interest.

Our values of Simple, Personal and Fair are at the heart of The Santander Way, our culture change programme that underpins our goal to be the best bank in the UK. Nine behaviours provide a framework for us to deliver the best outcome for our people, customers, shareholders and communities.

Through a dedicated communications campaign, every month one of the behaviours was explored in more detail. The CEO and Executive Committee shared their thoughts on and commitments to each of the behaviours, and invited managers and their teams to discuss the behaviour and how they can commit to role-modeling these behaviours.

In 2016, nearly 2,000 colleagues attended a series of regional town hall events, led by our CEO and Executive Committee. During the events, the senior executives highlighted how demonstrating the Santander behaviours was integral to success and recognised colleagues for doing so.



Bring Passion



Talk Straight



Embrace Change



Show Respect



Speak Up



Keep Promises



Give Support



Truly Listen



Actively Collaborate

Customers

We aim to build lasting relationships with our customers based on what they want: a bank that is Simple, Personal and Fair. By providing innovative, market-leading products and continuing to invest in our network and first-class customer service, we aim to be the best bank in the UK.

Investing in technology to give our customers convenience

Increasingly, customers are changing the way they choose to bank with us and we have seen strong growth in digital and mobile interaction, with over 4.6 million digital customers. Our investment in technology has given our customers the choice of how, when and where they can access and manage their money – the panel opposite gives an example with our new digital mortgage application process.

In 2016, we delivered a number of improvements to our digital platforms including our Online and Mobile Banking services, more digital technology into our branches and continued to roll out digital ATMs. Customers can stay on top of their account balance with free text and email alerts that cover a range of scenarios, such as early warning when nearing an overdraft limit, or if an available balance won't cover a standing order, Direct Debit or upcoming payment.

Santander app downloads

1.8 million

Equivalent to 5,000 downloads per day during 2016

Our series of apps help our customers manage their money, including Spendlytics which tracks and analyses spending and Paym which allows customers to securely send and receive money using only a mobile phone number. We have also introduced the Investment Hub, a new online non-advised investment tool to give our customers access to more than 1,500 investment funds.

Both debit and credit card customers can make use of easy and secure contactless payment options for in-store purchases under £30 through Apple Pay and Android Pay. We protect our customers against fraud with security measures such as a One Time Passcode for Telephone and Online Banking. Our online security centre also offers tips for staying safe online and we regularly send our customers advice on how to improve their account security.

Helping our customers prosper

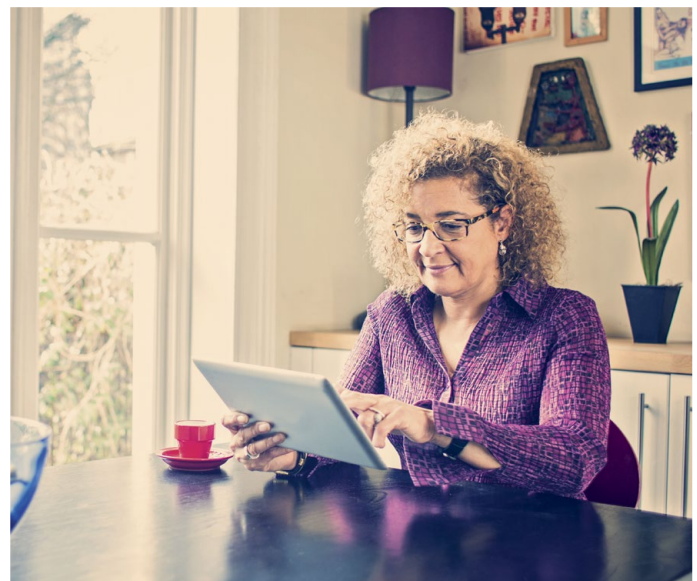
In October, we launched a new range of credit cards including the All in One Credit Card and the Zero Credit Card.

The All in One Credit Card is available as a contactless card, and for a £3 monthly fee has a competitive 0% balance transfer period of 40 months, 0.5% cashback on all spending with no maximum cap and no foreign transaction fees.

The Zero Credit Card offers no foreign transaction or cash withdrawal fees anywhere in the world making it suitable for holidays or regular travellers.

We extended our current account range with the launch of the 11213 Lite Current Account in July, which for a £1 monthly fee pays up to 3% cashback on household bills if customers pay in £500 a month, have two active Direct Debits and log on to either Online or Mobile Banking at least once every three months.

The 11213 Current Account continues to pay cashback on household bills, Direct Debits and interest when the account is in credit on balances up to £20,000. The monthly fee on the 11213 Current Account increased in January and the rate of interest paid decreased in November. Cashback remained unchanged and the account continues to offer value for customers.



A quicker service for mortgage customers

We have launched a new mortgage application service which enables customers to quickly and simply apply online.

The application can be completed from start to finish in less than an hour and provides customers with an online decision on their mortgage application. The application process has simple steps, and enables customers to upload supporting documents, such as payslips and bank statements all online.

We know that many people already look around for the best deals online, this tool takes it a step further, we are empowering customers to secure their mortgage online, at a time and place that suits them.

Optimising our branch network

Our branches remain an important part of our omni-channel approach and over the past four years we have continued to invest in our network. We have refurbished more than 400 branches, introducing new layouts, services and technology to serve our customers better.

The growth in digital channels, however, does mean that some of our branches are being used less often. Ongoing reviews of our branch network aim to reduce the duplication that exists where we have multiple branches in close proximity and to ensure our resources are targeted efficiently. In 2016 we merged branches in 12 locations and closed five of our branches which were underutilised.

Our network of 841 branches means that we are represented in around 80% of the 1,000 main financial centres in the UK. In addition, our personal current account customers can use Post Office branches for day-to-day banking transactions.

Managing customer satisfaction

Our focus is not only to develop products to suit our customers' needs, but also to provide the service they want and our high customer service rating reflects this. We monitor the effectiveness of our processes by measuring the number of Financial Conduct Authority (FCA) reportable complaints, Financial Ombudsman Service (FOS) referrals and customer satisfaction with complaint handling. Our FCA reportable complaints dropped from 353,766 in 2013 to 250,463 in 2016.

The Financial Research Survey (FRS) reported our retail customer satisfaction as 62.9%. This is in line with the average of our three highest performing peers (62.5%) on a rolling 12-month basis at December 2016. Further improvement remains at the heart of our plans.

Access to financial services for all sections of society

As a major high street bank, we have a duty to serve all sections of society. For customers that cannot access our main banking products, we provide specialised services and products including a basic bank account and a pre-loaded debit card. Basic accounts help low income customers to receive payments, pay in cheques, make withdrawals and set up payments. They do not have an overdraft facility.

Users of British Sign Language can access our products and services via relay video calls with an interpreter through our partnership with SignVideo.

Supporting our vulnerable customers

Our dedicated team provide intensive support to customers facing financial difficulty by helping them regain control of their finances with tailored solutions such as refinancing options, long-term arrangements and breathing space on payments. Services include an online debt advice tool, a budget planner and signposting to free and impartial debt advice experts such as StepChange.

We are committed to supporting our vulnerable customers, and all front-line and customer-facing colleagues have been provided with training to help recognise and understand issues which might impact customers. The consideration of vulnerable customers is now an integral part of our product approval process.

Win Win Win

The new All in One Credit Card

- 0%** on balance transfers for 40 months from date of account opening. 1% fee applies, minimum £5
- 0.5%** cashback on all your purchases
- 0%** foreign transaction fees when you pay in the local currency. A monthly fee applies.

Get a little bit more out of life. Apply in branch or online today.

Simple Personal Fair
What a bank should be

THE NEW ALL IN ONE CREDIT CARD

Representative example

0% on all card purchases for **6 months** followed by **15.9% p.a.** (variable) on card purchases. This is equivalent to **21.7% APR** representative (variable) based on an assumed credit limit of **£1,200** Monthly fee **£3**

Credit subject to status and available to permanent UK residents aged 18 or over.
Balance transfer from £500 up to 95% of your credit limit. You can't transfer balances from other Santander Group accounts (including cashback). If the total transfer you want to make is above your available credit limit, we may allow you to transfer part of this amount. After this 0% offer period, the standard interest rate will be charged on any remaining and new balance transfers. You must agree to us conducting a credit check, have an income of £1,000 per year or more and must not have been declared bankrupt, had a CCJ or an IVA within the last 6 years. We reserve the right to refuse any application. Information correct as of our website.
Santander UK plc. Santander is a registered trademark.

Championing British business

Santander's Breakthrough is a suite of support aimed at helping ambitious businesses grow and prosper

Breakthrough helps businesses achieve their ambitions under five key pillars – Talent, International, Connections, Knowledge and Finance.

During 2016 over 4,500 businesses have benefitted from Breakthrough Connection activities including regional Breakthrough RedBox events, our Breakthrough in Branch initiative and Women in Business mentoring. These provide an opportunity for peer-to-peer networking and to learn from other successful entrepreneurs.

In 2016, Breakthrough Knowledge supported over 215 business delegates through 16 bespoke masterclasses, which give businesses the opportunity to experience first-hand how well-known and iconic companies have achieved their success.

Working with our key Santander Group offices and strategic alliances overseas, including support from the Department of International Trade, we provide businesses the opportunity to meet potential customers and suppliers, and identify new opportunities for growth

internationally. In 2016, 53 businesses benefitted from six overseas and virtual trade missions to China, Mexico, Poland, the UAE and the USA.

Some of our customers have the potential for significant growth and require capital as well as non-financial support. Since its launch in 2012, our Growth Capital Finance has provided £114 million of growth capital and £234 million of senior debt in 126 deals to 94 small and medium enterprises (SMEs), without diluting company equity.

The Santander SME house builder scheme is a dedicated £100 million fund to support a market segment where access to finance is a primary constraint and our Santander Group \$100 million Innoventure capital fund provides seed money for financial technology firms.

Social & Sustainable Capital set up a Third Sector Loan Fund with a £13.5 million contribution from Santander for growth finance for charities and social enterprises.

We work closely with our partner, Funding Circle, to refer businesses we can't help to them for peer-to-peer lending advice and support.



Santander hosts and delegates at the Breakthrough Masterclass with Ordnance Survey, Southampton.

Shareholders

We aim to deliver a long-term, sustainable return for our shareholders while taking account of the impact of our business on the world around us. By managing our environmental impacts and supply chain, we benefit from improved efficiencies, effectively manage risk and ultimately protect our reputation.

Creating a sustainable business for our shareholders

Banco Santander has a strong commitment to responsible business, through its financial activities, by supporting social development and reducing its impact on the environment. At Santander UK, we share that commitment and embrace projects to reduce our energy consumption, waste and CO₂ emissions.

These have created year-on-year savings and identified investments that provide our shareholders with consistent returns.

Environmental governance

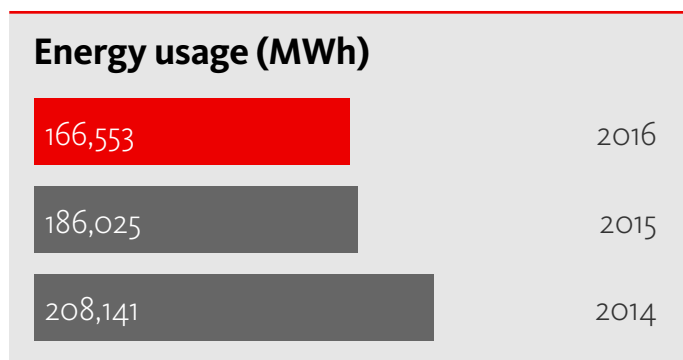
Our Environmental Management System provides a framework for defining responsibilities and processes in relation to waste, energy, water, travel and supply chain management at our 15 main offices and data centres in the UK. In 2016 Santander successfully achieved the ISO 14001 accreditation across all of these properties.

A new Sustainability structure has been implemented by creating a Sustainability Working Group, which is then supported by an Environmental Focus Group, and an Energy Focus Group, which collectively improves support, interaction and governance across all levels.

Energy and emissions

In 2016 Santander implemented a new energy governance model which allows us to further drive innovation and property efficiencies. Smart meter technology allows us to track the individual energy performance of each of our properties. We monitor ongoing consumption profiles using half-hourly data, which enables us to manage and alter plant operating times in line with the requirements of each property, thus reducing energy wastage and improving performance.

We saw an annual reduction of 10.6% in electricity and 9.7% in gas usage. Our electricity is sourced from green supplies and has zero carbon emissions.



Addressing travel impacts

Business travel represents 53% of our total CO₂ emissions and with the increasingly global nature of our business, we encourage staff to avoid travel for internal business meetings by making use of technology such as teleconferencing. We have regular Travel-Free Weeks throughout the year to raise awareness of the alternatives available.

In 2016, CO₂ emissions generated by fuel and business travel fell from 9,552 tonnes in 2015 to 6,650 tonnes, representing a 30% reduction per employee.

Engaging employees to support our objectives

Our Go Green model encourages staff to adopt sustainable environment-friendly behaviours. The Green Club has over 2,200 employees enrolled as Green Champions across each area of the business. Green Club Forums at our major offices enable our Green Champions to lead environmental activities and give staff the opportunity to regularly meet with senior management.

Managing resources for efficiency

Approximately 99% of the waste generated through our operations, primarily paper, plastic, aluminium, glass and food, is either recycled or diverted from landfill. The waste is processed through Material Recovery, Energy from Waste, Energy Recovery and other facilities so that very little is sent to landfill sites. Since 2014, we have cut our paper usage by 48%, or 2,348 tonnes, mainly by reducing office printing, photocopying, and customer marketing literature. Online Banking customers are provided with paperless statements (with an opt-out option) and we are continually looking at ways to reduce the amount of paper we use. Our print suppliers have ISO 14001 certification and maintain full Forest Stewardship Council (FSC) chain of custody.

Green financing

We are one of the largest UK renewable energy market financiers. In 2016, we financed c. £53 million in assets that generate bilateral renewable energy and other energy efficiencies. Our Renewable Energy team focuses on offering non-recourse project finance loans to mid-market wind, solar and hydro developments.

Managing our supply chain responsibly

We buy goods and services from around 1,600 external suppliers and intra-group companies accounting for £1.7 billion of costs in 2016, governed by the Cost Management & Procurement Policy, The Third Party Risk Management Policy and the Manual of Conduct in Supplier Relationships.

Our procurement principles are governed by the Cost Management & Procurement Policy which covers receiving supplier proposals and the use of e-auctions to minimise subjectivity. The Manual of Conduct in Supplier Relationships guides our people to be unbiased and avoid conflicts of interest when negotiating with suppliers.

As a signatory to the Business in the Community Access Pledge, we regularly review our procurement policies to ensure there is a level playing field for SMEs bidding for contracts. In 2016, 61% of our new supplier contracts were with SMEs, representing over £9 million. (SME is defined as less than £10 million turnover or 250 employees.)

As a Prompt Payment Code signatory, we also endeavour to reduce invoice payment delays. Our standard payment terms are 30 days and our 2016 payments were on average seven days beyond term compared to six days in 2015.

Contracts awarded to SMEs

61%

Representing over £9 million of sales

Treating our supply chain fairly

We meet the Living Wage requirements for employees of suppliers who work at Santander UK sites including security, catering, cleaning and reception staff, benefitting some 1,600 people.

Our supplier contracts include specific requirements to respect human rights and ethical labour practices based on the principles of the UN Global Compact:

- Suppliers are required to support and respect the protection of internationally proclaimed human rights and make sure that they are not complicit in human rights abuses.
- Businesses should uphold the freedom of association and the elimination of all forms of forced and compulsory labour.

In 2016, we reviewed our supply chain management policies and processes to comply with the 2015 Modern Slavery Act requirements. Modern slavery is the abuse of human rights and includes slavery, servitude and forced or compulsory labour and human trafficking. Our Slavery & Human Trafficking Statement for the financial year ending 2016 is published on the About Santander UK section of our website, santander.co.uk.



We want to earn the lasting loyalty of all our stakeholders

Being an important part of a global bank

We are a subsidiary of Banco Santander SA, part of the Banco Santander Group. Our parent is a leading retail and commercial bank, founded in 1857, headquartered in Spain and among the world's top banks by market capitalisation. Banco Santander has a meaningful market share in ten countries in Europe and the Americas.

At the end of 2016, Banco Santander had 125 million customers, 12,200 branches and 188,000 employees. In 2016, Banco Santander reported €6.2 billion attributable profit, an increase of 4% compared to the previous year. Santander UK is an important part of the global business and contributed 20% of group profit after tax¹.

¹ excluding the Corporate Centre and Spanish Real Estate

Benefitting from being an independent subsidiary

Banco Santander operates a subsidiary model to minimise the risk of problems in one part of the organisation spreading to another. This means that autonomous subsidiaries, like us, are responsible for their own liquidity, funding and capital management. The subsidiary model gives us considerable financial flexibility while also allowing us to take advantage of the significant synergies and strengths that come from being part of a major, well-diversified banking group. In particular, we benefit from Banco Santander's strong brand, products and platforms as well as their systems development capacity. We also utilise common technology, operations and support services, provided by independent operating entities in place across the Banco Santander Group. Taken together, these constitute a major competitive advantage for us.

Communities

We provide support to communities around the UK because we believe it helps us to build a successful business. By being deeply engaged in the communities where our branches, banking centres and offices are located, we can better understand and serve our customers.

Helping one million people by 2020

The Discovery Project is our flagship community investment initiative to help one million people by 2020. The programme supports skills, knowledge and innovation projects through three areas:

- **Explorer** – to help people learn about the world around them.
- **Transformer** – to guide people through work-focused support and training.
- **Changemaker** – to fund innovations that help society.

Community investment

£22 million

Invested in local community organisations and charities across the UK.

This sees us building on our historic work in employment, education and enterprise and creating new initiatives that together will aim to inspire people to have the confidence to make the most of the future.

In 2016, we contributed £22 million to community groups across the country.

As well as providing funds, we encourage our people to share their skills and time and the most popular volunteering initiative is our Discovery Days scheme. Employees spend a day helping local charities and community groups with practical support including gardening, decorating and organising activities. In 2016, over 6,000 staff helped to make a difference to 556 Discovery Day projects.



Santander staff deliver a Discovery Project MoneyWise session at Ysgol Ffordd Dyffryn School, Conwy.

Explorer – Insight and Knowledge

We fund the Centres of Excellence programme run by specialist financial education charity Young Enterprise. In 2016, 50 primary and secondary schools, and Further Education colleges, were part of the Centres of Excellence scheme that helps to embed financial education across the entire curriculum. Our Santander MoneyWise programme further supports this aim and promotes the vital life skill of money management through sessions delivered in schools across the UK. In 2016, our employees delivered workshops to 19,588 students.

Transformer – Skills and Experience

We partner with the social mobility charity Career Ready to improve young peoples' employment prospects. In 2016, we provided funds for career academies at ten secondary schools across the UK. The academies prepare students for further education and/or the world of work. Our senior managers volunteer on school Local Advisory Boards, serve as mentors and facilitate visits to our offices and branches.

We also offer fully funded six week summer work experience programmes to help students develop skills that improve their employability.

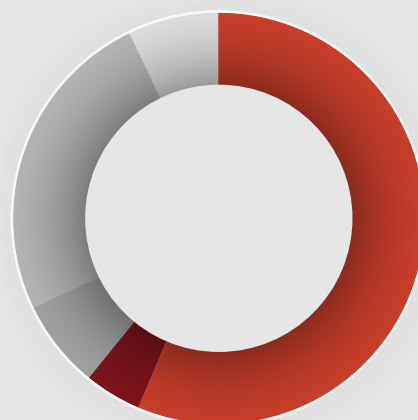
We launched a new three year partnership with NCS (National Citizen Service) in 2016, the personal development scheme for teenagers aged 16 and 17 which sees youngsters take on a three to four week programme of activity during their summer holiday to develop essential skills for work and life. As well as providing funding, our people are involved in delivering MoneyWise workshops on the summer school programme, being judges on Dragon's Den award panels and supporting the students' Social Action volunteer projects.

Changemaker – Social Innovation

In 2016 we created an innovative Changemaker Fund to explore new ways to support social entrepreneurs and create social change.

We are working with Crowdfunder, the leading rewards-based crowdfunding platform in the UK, to provide start-up grant funding for social enterprises. Through the £200,000 Changemaker Fund we will be matching projects up to £10,000 that are helping disadvantaged people build their skills and knowledge, or that are supporting social innovation.

Funding breakdown (%)



- Explorer £12.5 million
- Transformer £966,200
- Changemaker £1.5 million
- Communities £5.5 million
- Other £1.6 million

Funding local and national charities

The Santander Foundation provided £5.4 million in grants to 3,263 UK registered charities in 2016 for projects that help disadvantaged people. Discovery Grants are awarded to support activities that improve skills and knowledge or support social innovation. The Santander Foundation also provides the Staff Matched Donation scheme which contributed £2 million to support our employees' fundraising for charities of their choice.

Our partner charities until December 2018 are Age UK and Barnardo's, which were chosen by our people. Last year's fundraising events included a Flame Relay Challenge and a Store Wars challenge. An international volunteering project in South Africa also saw 35 employees help to build a home for Aids orphans in Kwa Zulu-Natal. We raised more than £1 million in the year in collaboration with our people, customers and suppliers for the two charities work helping vulnerable older and younger people across the UK.

Santander Universities

Santander Universities is a global programme created in 1996 to support higher education. The Banco Santander Group partners with close to 1,200 institutions around the world to fund scholarships, research, mobility awards and study grants for students and staff. In 2016, 81 universities in the UK received £11.3 million to aid 8,024 students

and staff with funding for studies, internships, entrepreneurship support and special projects.

Our SME Internship programme provides students with up to 10 week internships in an SME co-funded by us and the business or the university and over 3,000 internships were committed to in the year. Many interns have secured permanent roles or extended internships following their placements. We also provided over £400,000 to our partner universities to support widening participation and announced a new initiative to bring Santander Cycles to campuses.

We also announced increased support for entrepreneurs and innovators through:

- The Santander Universities Entrepreneurship Awards – in 2016 we gave away £48,000 to eight start-up businesses through the awards. Building on this in 2017, the competition will see the best student and graduate start-ups compete through a series of regional and national finals for prizes including seed funding, mentoring and access to acceleration events.
- The Big Ideas Challenge – a scheme that encouraged collaboration between students and Santander to solve some of the biggest challenges facing the financial industry today, with winners receiving a share of the £20,000 prize fund and feedback from Santander on their idea.

Improving mobility and road safety with Santander Cycles

Following on from the success of Santander Cycles in London, we launched Santander Cycles MK in Milton Keynes in June 2016. The scheme provides the population of 256,000 with 300 cycles and 42 docking stations, harnessing the already installed city-wide 170 mile redway cycle network. Since the launch in June, there are already over 10,000 members with over 32,000 hires to date, and it has become the fastest growing scheme in the UK, with 19,000 hires in the first eight weeks.

It was another successful year for the Santander Cycles scheme in London since we started in February 2015. Whilst expanding the Cycles into less privileged communities we also broke new records. Thanks to our campaign, we had a record weekend with 92,527 hires, hit one million hires in May for first time, the best month ever in July

at 1.2 million hires, and despite the wettest and dullest June on record, the most successful year in the scheme's history with 10.3 million hires – an increase of 4.4% on the previous year.

We championed a tech innovation from a Santander University graduate and recipient of a Santander entrepreneurship grant, with her first Breakthrough moment as an SME, installing Blaze Laserlights on all 12,000 Cycles in London. This helped us to deliver our commitment to the community of cyclists and road users, making it easier for cyclists to be recognised on the roads.

We also sent our Santander Cycles spinning bikes on a UK-wide tour of internal Santander sites and organised a charity cycle ride for 150 of our Corporate and Commercial team from London and the East, helping to raise £167,000 for our charity partners.



The launch of Santander Cycles MK in Milton Keynes

Key metrics

	Notes	2016	2015	2014
People				
Total full-time employees – Santander UK plc		19,220	19,992	20,676
Total full-time employees – UK based		24,175	24,423	24,515
Salaries and other staff costs		£1,112,000,000	£1,118,000,000	£860,000,000
Employees – Diversity				
Total female employees		10,796	11,298	11,829
Total male employees		8,424	8,694	8,847
Total full-time employees		16,277	16,731	17,903
Total part-time employees		2,943	3,261	2,773
Total ethnic minority employees	1	1,621	1,751	1,852
Total employees aged over 50		3,204	3,229	3,160
Employees – Gender				
Board Directors – female		4	3	2
Board Directors – male		8	9	14
Senior Directors – female		6	5	2
Senior Directors – male		10	13	14
Senior Managers – female		26	33	39
Senior Managers – male		111	132	194
Employees – female		10,764	11,260	11,788
Employees – male		8,303	8,549	8,639
Employees – Miscellaneous				
Average days absent per employee		9.9	8.6	6.67
Employee turnover		13%	14%	13%
Average length of service (years)		8.74	8.46	8.32
Pension participation	2	91%	88%	88%
Employees – Learning				
Total number of training days		169,051	140,290	107,974
Training days per employee		8.80	5.90	4.55
Investment in training		£11,579,717	£12,303,839	£10,400,000
Reported accidents				
Minor accidents		292	249	283
Accidents resulting in over seven day absence		3	2	4
Major accidents		6	7	1
Customers				
Number of active customers		14m	14m	14m
Customer satisfaction	3	62.9%	62.9%	59.7%
Customer complaints	4	250,463	223,235	260,440
Number of branches		841	857	921
Number of Corporate Business Centres		67	70	66

(1) Based on 9,775 FTE who completed the voluntary self-declaration option on profile monitoring forms.

(2) As at 31/10/2016.

(3) Customer satisfaction as measured by the Financial Research Survey (FRS) run by GfK. The Financial Research Survey (FRS) is a monthly personal finance survey of around 5,000 consumers prepared by the independent market research agency, GfK. The 'retail customer satisfaction' score refers to the proportion of extremely and very satisfied customers across mortgages, savings, main current accounts, home insurance, UPLs and credit cards, based on a weighting of those products calculated to reflect the average product distribution across Santander UK and competitor brands. Data shown is for the twelve months ending 31 December 2016. The competitor set used to calculate the product weights is made up of Barclays, Halifax, HSBC, Lloyds Bank, Nationwide and NatWest.

(4) FCA reportable complaints.

	Notes	2016	2015	2014
Suppliers				
Value of procurement		£1,735,605,109	£1,735,209,000	£1,768,000,000
Number of suppliers		1,663	1,887	2,612
Payment days beyond terms	5	7	6	10
Number of new SME contracts		78	104	121
Value new SME contracts		£9,060,000	£24,000,000	£40,000,000
% of contracts with SMEs		61%	58%	40%
Energy				
Fuel sources (MWh)				
Electricity – Green Biomass (MWh)	6	135,423	151,550	170,598
Gas (MWh)	7	31,130	34,476	37,543
Oil (Litres)		43,542	77,064	64,746
CO₂ emissions from fuel (tonnes)				
Electricity		0	0	0
Gas	8	5,717	6,331	6,895
Oil	9	113	200	176
Total CO ₂ released	10	5,830	6,531	7,017
Water				
Water (m³)	11	301,565	293,598	296,986
Waste				
Waste collected (tonnes)		4,506	4,517	4,899
Waste diverted from landfill (tonnes)		4,480	4,516	4,821
Waste diverted from landfill (%)		99	100	98
Paper				
Paper (kg) – consumables		187,434	208,985	197,351
Paper (kg) – literature		2,578,080	4,925,678	5,515,468
Total		2,765,514	5,134,663	5,712,819
Financing				
Renewable Energy Financing	12	£53,187,000	£52,000,000	£70,000,000
Travel (km)				
Air travel – domestic	13	4,823,120	7,118,955	6,362,777
Air travel – short haul Europe		6,141,758	6,797,460	7,581,908
Air travel – long haul International		5,324,048	3,926,034	4,769,341
Car		14,977,247	23,637,048	30,263,853
Rail		10,131,595	28,769,891	12,969,417
Total		41,397,768	70,249,388	61,947,296
CO₂ emissions from business travel (tonnes)				
Air travel – domestic	14	1,429	2,110	1,886
Air travel – short haul Europe		1,037	1,148	1,280
Air travel – long haul International		1,049	774	940
Car		2,681	4,231	5,417
Rail		454	1,289	581
Total		6,650	9,552	10,104

- (5) Industry average of 41 days as per Experian reporting; 2015 figures has changed to reflect Experian debtor days report for December 2015.
- (6) 2015 figure amended from 151,418 to 151,550.
- (7) 2015 figure amended from 33,769 to 34,476.
- (8) Defra conversion factor (2016) = 0.183645, converted to tonnes = /1,000.
- (9) 2015 figure amended from 210 to 200 Defra conversion factor (2016) = * 2.59007, converted to tonnes = / 1,000.
- (10) 2015 figure amended from 6,631 to 6,521.
- (11) 2015 figure amended from 292,701 to 293,598.
- (12) The 'gross' figure including Mark to Markets on the swaps = £53.187 million.
- (13) Billing – Capita, HRMI.
- (14) Defra conversion factors applicable from May 2016, but have been applied to all years for comparison.

	Notes	2016	2015	2014
CO emissions				
CO ₂ from fuel		5,830	6,531	7,017
CO ₂ from business travel		6,650	9,552	10,353
Total		12,480	16,083	17,370
CO ₂ released per employee	15	0.52	0.66	0.71
Communities				
Communities		£5,485,020	£5,568,072	£4,659,694
Education/Explorer		£12,483,624	£12,872,186	£12,622,652
Employment/Transformer		£966,200	£542,578	£536,656
Enterprise/Changemaker		£1,491,643	£3,375,855	£3,553,292
Other		£1,607,828	£1,057,412	£574,392
Total		£22,034,314	£23,416,103	£21,946,686
Santander Foundation				
Matched donations		£2,340,316	£2,594,679	£2,279,197
Discovery Grants		£3,056,251	£3,110,639	£3,034,685
Total		£5,396,567	£5,705,318	£5,313,882
Number of donations		3,263	3,291	2,729
Volunteering				
Discovery Days projects		556	363	256
MoneyWise workshop students		18,227	11,756	8,458
Staff volunteers		8,177	5,080	4,221
Value of volunteering time		£1,430,164	£957,386	£777,891
Santander Universities				
Total donations		£11,335,600	£11,920,000	£11,000,000
Number of partners		81	80	77
Scholarships		814	1,048	753
Mobility awards		1,174	2,717	1,722
Enterprise awards		1,090	179	223
Misc awards		2,738	76	201
Internship awards		2,176	2,171	1,894
Work placement awards		32	449	0
Total awards		8,024	6,640	4,793
Santander Breakthrough				
Total investment		£737,715	£1,331,000	£1,371,000
Iconic Masterclass delegates		137	79	117
Trade mission delegates		53	40	41
Event delegates		4,615	5,292	370

(15) UK based employees.

Assurance statement



SGS United Kingdom Ltd's statement on sustainability activities in Santander UK PLC's Sustainability Report 2016

Nature and scope of the assurance/ verification

SGS United Kingdom Ltd was commissioned by Santander UK plc to conduct an independent assurance of Santander UK plc's Sustainability Report 2016.

The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and 2016 data in accompanying tables, contained in the Sustainability Report 2016.

The information in Santander UK plc's Sustainability Report 2016 and its presentation are the responsibility of the directors and the management of Santander UK plc. SGS United Kingdom Ltd has not been involved in the preparation of any of the material included in the Santander UK plc Sustainability Report 2016.

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. The SGS protocols are based upon internationally recognised guidance, including the Principles contained within the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2013) for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

The assurance comprised a combination of pre-assurance research, interviews with relevant employees at the Head Office in London and Milton Keynes; documentation and record review; and validation with external bodies and/or stakeholders where relevant, 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 Sustainability Report 2016 is accurate, reliable and provides a fair and balanced representation of Santander UK plc's sustainability activities in 2016.

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

Summary of findings

On the basis of the methodology above and the assurance work performance the information and data contained within the Report has been evaluated to be reliable and provides a fair representation of Santander UK plc's sustainability activities in 2016. The communication and presentation of information is appropriate to the size of the bank and its sustainability impacts, risks and opportunities.

We welcome the continued improvement in Santander UK's data management and reporting systems. This reporting has been established over a number of years and recommendations below are made as part of the assurance aim to encourage the organisation to continue developing its reporting.

- The materiality assessment carried out in 2014 should now be updated, especially in the light of the new strategic and focus for sustainability. This could focus on specific influential stakeholder groups where expectations are developing over time.
- We recommend that key stakeholders are asked for their views on the report and on what information on management and performance they would find useful, and in what format.
- The report would benefit from more future-facing statements and details of Santander UK's strategy and objectives in key areas such as financial inclusion and vulnerable customers. This includes inclusion of, and

linkage of performance to, the organisation's medium and long term sustainability goals

- More information could be provided in all areas on management approach, including how performance data is used to evaluate and improve management.
- Inclusion of more detail on how data is put together and the assumptions and conversation factors used, for example by including a specific short section on this in the appendices, would enable stakeholders to better compare data to other organisations.
- Inclusion of data from more than two previous years – we recommend 5 years - would allow stakeholders to make comparisons based on longer term trends.

We also recommend that Santander UK plc reports in line with the requirements of the GRI Sustainability Reporting Standards, with reference to the Financial Services Sector Supplement, including the GRI Index, as this provides a framework for comparability with industry peers. It is also recommended that the organization considers assurance against the AA1000 AS (2008) standard for future reports.

SGS United Kingdom Ltd
Birmingham
WWW.SGS.COM

Authorised by
Jan Saunders
UK 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

This document is issued by the Company under its General Conditions of Service accessible at <http://www.sgs.com/en/Terms-and-Conditions.aspx>. Attention is drawn to the limitation of liability, indemnification and jurisdiction issues defined therein.

Any holder of this document is advised that information contained hereon reflects the Company's findings at the time of its intervention only and within the limits of Client's instructions, if any. The Company's sole responsibility is to its Client and this document does not exonerate parties to a transaction from exercising all their rights and obligations under the transaction documents. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law.

Santander UK Group Holdings plc

2 Triton Square
Regent's Place
London NW1 3AN

www.santander.co.uk