

*This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015. It constitutes the Santander UK Slavery and Human Trafficking statement for the financial year ending 2018.*

## **Santander UK Group Holdings plc**

### **Modern Slavery Statement 2018**

## **Introduction**

### **Our business**

Santander UK Group Holdings plc and relevant subsidiaries (together, Santander UK), operate primarily in the UK and provide a wide range of personal and commercial financial products and services.

Santander UK serves more than 15 million active customers with around 23,800 employees and operates through 755 branches (which includes 52 University branches) and 64 regional Corporate Business centres across the UK.

This is Santander UK's third statement pursuant to the Modern Slavery Act 2015 (the "Act") and sets out steps we are taking to prevent slavery and human trafficking in our workforce and supply chain.

### **Approach and Risk Profile**

The introduction of the Modern Slavery Act 2015 (the "Act") prompted us to review how effectively we prevent slavery and human trafficking in our business and supply chain. As a result, in 2017, we formed a cross-functional modern slavery working group to ensure a joined-up approach. We recognise that the business response to human trafficking and modern slavery should continually improve and we are open to stakeholder feedback to help strengthen and develop our strategy in this area.

Our Santander Group Human Rights policy sets our umbrella commitment on protecting human rights in its relations with stakeholders. This policy takes into account the UN Guiding Principles on Business and Human Rights, and explicitly rejects forced labour and child exploitation. At a UK level, our position is that Santander UK Group will not enter into or maintain relationships with persons and/or entities known to be involved in human rights abuses such as child labour and modern slavery.

This is based on wording in our Anti-Money Laundering Standards. Our values of Simple, Personal and Fair are at the heart of The Santander Way; the culture that underpins our goal to be the best bank in the UK.

Given the nature of our business and our workforce, the modern slavery risk within our own workforce is minimal. The principal areas of modern slavery risk for Santander UK arise in relation to our relationships

with third parties (including our supply chain) and our customers with regards to handling the proceeds of human trafficking.

## Steps taken across our business and supply chain

### Our supply chain

#### Actions taken:

- In 2018, we updated our organisational risk appetite statement regarding modern slavery and third parties to align with our Anti-Money Laundering standards.
- Our supplier assessment was completed by 1,236 out of around 1,650 suppliers.
- In 2018 we created a dedicated Third Party Risk Management (TPRM) team responsible for developing and maintaining an effective Third Party Risk Management framework. This team completed 52 audits on third party suppliers in 2018.
- We improved our governance by enhancing our third party risk forum structure and also launching a Reputational Risk Forum with ultimate responsibility for reviewing supplier risks related to modern slavery.

#### Targets for 2019:

- Review and update third party policies and supporting procedures to fully align with our updated risk appetite statement.
- Achieve completion of our supplier assessment by 100% of suppliers.
- Review our approach to third party supplier audits and update the scope, depth and breadth of testing, including in regards to modern slavery risk.
- Review our approach to site audits and update the scope, depth, and breadth of testing, including in regards to modern slavery risk.

### Overview and Risk Profile

We work with over 1,600 external suppliers and intra-group companies to purchase the goods and services we need to run our business, with the main categories of purchasing spend related to technology, operations, and property.

We have assessed the modern slavery and risk presented by our supplier profile. The risk model we use is based on the Global Slavery Index compiled by the Walk Free Foundation, which provides data on the estimated prevalence of modern slavery in each country globally. We consider that the majority of our suppliers represent a low risk of modern slavery. In excess of 99% of our suppliers are incorporated in

countries identified as low risk in the aforementioned Global Slavery Index. Additionally, the types of goods and services procured are generally considered to be lower risk.

We have a series of policies, guidelines, processes and committees to manage our supply chain and risks. Each of these key elements is described below.

## **Policies**

Our procurement process is governed by the Cost Decision Support & Procurement Policy. Additionally, our Third Party Outsourcing & Risk Management Policy and supporting Standards include processes to identify, assess, manage, and report potential risks in our supply chain. This includes a requirement for an assigned Service Director and Service Manager (i.e. contract managers) for each supplier, with responsibility to minimise risk, including risks relating to modern slavery. Our policy is to hold regular meetings with suppliers and work with them to ensure compliance with Santander UK standards and policies. Our Third Party Sustainability Policy also covers Santander's commitment to tackling modern slavery from an ethical and legal perspective, to ensure that it has no place within the supply chain.

As a Living Wage Foundation accredited company, we also require employees of third party suppliers working in our buildings to be paid the Living Wage. Furthermore, our standard contract terms include provisions relating to Human Rights and Labour Rules which are subject to periodic review.

In 2018, our Reputational Risk Forum approved an updated risk appetite statement regarding modern slavery and human trafficking. This is aligned to our Anti-Money Laundering Standards, and states that "the Santander UK Group will not enter into or maintain relationships with persons and / or entities known to be involved in human rights abuses (e.g. child labour and modern slavery)".

In 2019, we will review our third party policies and processes to fully incorporate this updated risk appetite.

## **Processes**

### *Supplier Due Diligence:*

For the purposes of supplier due diligence, our core third party suppliers must complete a Financial Services Qualification System (FSQS) assessment, an online tool that enables them to submit assurance and compliance data to us. This is completed on a self-assessment basis prior to the start of the contractual relationship with Santander UK and annually thereafter to ensure they meet our minimum standards. This process includes specific questions related to modern slavery, the response to which are subject to specific review as part of the on-boarding / annual review process. Any third party supplier which does not complete the FSQS assessment is required to be formally reviewed and considered by senior stakeholder via an exceptions governance-path before onboarding (or renewal).

Since the introduction of FSQS, 1,236 suppliers have completed the questionnaire, out of around 1,650 suppliers. Our target is that full coverage of suppliers is achieved during 2019.

### *Third Party Supplier Audits:*

We also undertake supplier assurance visits (“audits”) for a risk-based sample of third party supplier to assess key elements of the control environment, validate self-attested FSQS responses provided, and confirm that suppliers are meeting our requirements. These audits are prioritised based on our assessment of the inherent risk of the service.

In 2018 we audited 55 suppliers. Through these audits, further investigation was required and questions were raised of six suppliers. Five of these suppliers provided follow-up responses demonstrating their compliance with our audit requirements. Our legal team reviewed the position of the sixth supplier (the Post Office), including its Modern Slavery Statement, to be satisfied that it complies with the Modern Slavery Act.

In 2019, as part of our on-going Third Party Risk Transformation Programme, we are reviewing our approach to third party audits and updating the scope, depth, and breadth of testing. Testing of FSQS responses related to modern slavery will continue to be in-scope and subject to review. We plan that this review will be completed by the end of Q1 2019.

### **Committees**

Our Third Party Risk & Supplier Forum reviews third party supplier risks and provides a mechanism to escalate key issues identified to senior risk fora within our corporate governance framework. These would be escalated to our Reputational Risk Forum, launched in 2018, which includes Board members and has ultimate responsibility for reviewing modern slavery risks with third party suppliers.

### **Effectiveness of our procurement policies and procedures**

We believe that our supplier due diligence policy effectively mitigates the risk that slavery and human trafficking might take place within our supply chain. It is noteworthy that our supplier audits in 2018 did not uncover any modern slavery or human trafficking issues. Our new approach to third party audits will further increase the visibility we have over our suppliers. However, we still have not received responses to our modern slavery enquiries from all suppliers, and we will provide a complete update as to the effectiveness of our policies and procedures once the ongoing round of supplier renewals has been completed.

## Our customers

### Actions taken:

- **Launch of a new Santander Anti-Financial Crime strategy.**
- **A Board Awareness event was held on 18<sup>th</sup> September 2018 that included a presentation by the Financial Intelligence Unit of a case involving criminal exploitation of labour associated with the construction industry, outlining key risk indicators and learning identified.**

### Targets for 2019:

- **The 2019 bank-wide Financial Crime Training and Awareness Program will include new materials on Human Trafficking and Modern Slavery.**
- **Consideration of wider training and awareness raising activities.**

We recognise that, as a financial services business, our greatest impact on prevention of human trafficking and modern slavery is to identify the proceeds of this crime. Human trafficking is a serious predicate offence to money laundering and generates \$150bn in profits for traffickers, according to International Labour Organization (ILO) estimates. As such, our Financial Crime team and Financial Intelligence Unit continue with focused efforts to address money laundering associated with human trafficking and modern slavery.

A coordinated industry approach is essential to effectively tackle financial crime related to human trafficking and modern slavery. Santander is a member of the Joint Money Laundering Intelligence Task Force (JMLIT) which, through its Expert Working Group on Human Trafficking and Organised Immigration Crime, has led the way in defining the role of the financial industry. Operational engagement through JMLIT has supported intelligence led investigation and analyses. Together with JMLIT, we developed typologies that support us to detect possible human trafficking or other associated crimes. Santander is also a member of the European Bankers' Alliance and contributed to the Human Trafficking toolkit, originally launched in 2017 to help identify red flags, and endorsed by the Wolfsberg Group.

To date we have used these resources to identify suspicious transactions or accounts, and supply intelligence to law enforcement.

Sanitised case studies taken from this activity have also been used in awareness raising events held across Santander office locations through July, August and September as part of the launch of the updated Santander Anti Financial Crime Strategy. A Board Awareness event was held in September 2018 which included a presentation by the Financial Intelligence Unit of a case involving criminal exploitation of labour associated with the construction industry, outlining key risk indicators and learning identified.

The Financial Crime Team will launch an updated Financial Crime Training Program for 2019. As part of this update, we are considering additional training and awareness activities in regard to financial crime associated with human trafficking and modern slavery.

## Effectiveness of our financial crime approach

We believe that our co-operation with other financial institutions and with law enforcement is an important and effective tool in the ongoing fight against modern slavery and human trafficking. As a result of reports made by Santander during FY18, we understand that the activities of criminals seeking to profit from modern slavery and human trafficking have been disrupted by law enforcement. We are proud to have played a role in ensuring that those criminals can be brought to justice, but we recognise that continued vigilance and co-operation will be necessary across the financial industry to help prevent modern slavery and human trafficking.

## Our workforce

### Actions taken:

- **Review of employee training with regards to modern slavery.**
- **Completion of whistleblowing training for all colleagues.**

### Targets for 2019:

- **Together with the Santander Vulnerable Customers team, HR will develop and launch training for branch colleagues on how to identify and respond to potential instances of human trafficking and modern slavery.**

As a UK financial services organisation, we have a high-skilled workforce at low risk for modern slavery. To ensure none of our employees are victims of human trafficking or modern slavery, we have a range of policies and processes in place.

- All of our employees and contractors are required to go through a vetting process, which includes making sure they have a right to work in the UK.
- Every employee has a contract of employment that sets out the terms and conditions of their employment, and part-time employees have the same Terms and Conditions and the same access to benefits as our full-time colleagues. We engage with third party suppliers to provide additional staff resource based on business demand. These staff receive no less favourable terms and conditions than our permanent workforce and we work in compliance with the UK's Agency Worker Regulations.
- We pay employees at least the Living Wage, and have been a Living Wage Foundation accredited company since 2015.
- We work with two recognised trade unions, Advance and the Communication Workers Union (CWU) and regularly consult and engage representatives on significant initiatives within the business at both local and national levels. Both unions are affiliated to the Trades Union Congress.

## Training and Whistleblowing

We expect our people to act with the highest standards of business conduct at all times to protect our reputation and contribute to a culture that is free from corruption, risk of compromise or conflicts of interest. These principles are set out in our Code of Ethical Conduct and supported by our values and behaviours.

In 2018, we undertook a review of employee training in reference to Modern Slavery. As part of our Anti-Financial Crime Risk Culture plan, an enhanced Learning and Development (L&D) Strategy was approved to build employee understanding of Anti-Financial Crime risk, including modern slavery. This is targeted for implementation in 2019.

At Santander UK, we encourage a “speak up” culture. In our 2018 Global Engagement Survey, 84% of our people told us that they feel that they can report unethical behaviour or practices without fear of retaliation. Our people can raise concerns about any malpractice with us through internal and external reporting channels set out in our whistleblowing policy, and this would include any issues relating to modern slavery or human trafficking. The whistleblowing policy is supported by annual training for all colleagues, and we have a zero-tolerance approach to victimisation of whistle-blowers.

During 2019, the HR Learning Team will create training to support colleagues’ capability with vulnerable customers. This will include training on identification and response where a person is suspected of being a victim of human trafficking or modern slavery.

### Effectiveness of our workforce policies and processes

We consider that our policies and procedures are highly effective at ensuring that slavery and human trafficking are not taking place directly within our business. All of our employees and contractors are required to go through a vetting process, which ensures they have a right to work in the UK. This is effective at ensuring that our employees and contractors have not been subjected to human trafficking.

## Our pension schemes

### Actions taken:

- **Completed modern slavery risk analysis of our pension fund managers.**
- **For the two medium-risk fund managers, a detailed ESG review was completed.**

### Targets for 2019:

- **Repeat this analysis as part of our modern slavery due diligence on third parties.**

We have reviewed our pension arrangements to assess whether the relevant fund managers comply with the Act and have themselves taken appropriate steps to help prevent slavery and human trafficking.

Our review covered 41 fund managers and found that 26 fund managers had produced modern slavery statements setting out credible steps to help prevent slavery and human trafficking. The remaining 15 fund managers were either not subject to the Act or had not produced a satisfactory modern slavery statement.

Following this initial review, we have worked with the pension fund trustees to carry out an analysis of the 15 fund managers which did not pass our initial review. The analysis considered issues such as the jurisdiction of investment; and the industry sector invested in.

The result of this analysis was that, for 13 of the 15 fund managers, the Modern Slavery Risk was identified as being 'low' due to a combination of (i) investing in countries with a low incidence of modern slavery, such as the USA and EU countries; or (ii) where the jurisdiction of investment had a medium or high risk of modern slavery, investing in low-risk sectors such as technology or financial services.

In respect of the two remaining fund managers, we undertook an analysis of their Environmental, Social and Corporate Governance Policy, to provide a view of the steps taken by each fund manager to avoid supporting modern slavery or investing in companies which carry a significant modern slavery risk. It appears to us that both fund managers have extensive and robust policies in place which would mean that they would not invest in companies with a high risk of Modern Slavery issues. It was noted that both fund managers commonly invest alongside governmental or transnational organisations, or alongside NGOs, and this requires extensive recognition of social issues such as Modern Slavery risk within the fund manager investment policies.

As a result, we believe that there is no significant Modern Slavery risk arising from fund managers in the Santander pension schemes at present.

In 2019, this analysis will be repeated as part of our modern slavery due diligence on third parties.

## Further Information

For further information on Santander UK please refer to our [annual report](#) and our [CSR report](#).

This statement has been approved by the Board of Santander UK Group Holdings plc and Santander UK plc on 25 February 2019



**Nathan Bostock**

Chief Executive Officer

Santander UK Group Holdings plc and Santander UK plc

### Companies covered by this statement

Santander UK Group Holdings plc  
Santander UK plc  
Abbey National Treasury Services plc  
Santander Asset Finance plc

Santander Private Banking UK Limited  
Cater Allen Limited  
Santander Asset Finance (December) Limited  
Abbey Covered Bonds LLP