

*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 2019.*

## **Santander UK Group Holdings plc**

### **Modern Slavery Statement 2019**

## **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 14 million active customers with around 23,500 employees and operates through 616 branches (which includes 51 University branches) as well as regional Corporate Business centres across the UK.

This is Santander UK's fourth 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**

Since the introduction of the Modern Slavery Act 2015 (the "Act"), we have conducted a review of how we prevent slavery and human trafficking in our business and supply chain. Our key focus areas, each of which is covered in this statement, are customer due diligence, collaboration and information sharing, risk associated with third party suppliers and pensions providers, and employee training. We recognise that the business response to human trafficking and modern slavery should continually improve and we welcome stakeholder feedback to help strengthen and develop our strategy in this area.

Our Santander Group Human Rights policy sets out our commitment to protect human rights. This policy takes into account the UN Guiding Principles on Business and Human Rights and sets out our opposition to 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 given effect to by our Anti-Money Laundering Standards.

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. We recognise that, as modern slavery and human trafficking represent one of the largest global criminal industries, financial institutions are in a unique position to disrupt the industry by identifying the proceeds held by perpetrators of this crime and sharing intelligence with law enforcement.

# Steps taken across our business and supply chain

## Our supply chain

### Actions taken in 2019:

- We refreshed our assessment of modern slavery risks in our supply chain by mapping our suppliers against global estimations and vulnerability to modern slavery using the Global Slavery Index.
- We amended our supplier assessment process to reflect our updated risk appetite around modern slavery and human trafficking.
- Our supplier assessment was completed by 1,097 of the 1,420 in-scope suppliers that were used by Santander in 2019, meaning a 77% completion rate.
- We worked with a leading consultancy to update the scope, depth and breadth of our third-party on-site controls assessment capability, which includes elements regarding modern slavery risk.
- We updated our third-party policies and supplier code of conduct to reflect our updated risk appetite around modern slavery and human trafficking.

### Targets for 2020:

- Achieve completion of our FSQS supplier assessment by 100% of active suppliers in scope of the assessment process.
- Embed the updated third-party supplier on-site controls assessment approach, increasing the number of assessments completed.
- Run a deep-dive thematic assessment on higher risk suppliers for modern slavery which would not normally be subject to an on-site assessment based on a broader risk-lens.

### Overview and Risk Profile

We have around 1,400 active suppliers covered by our procurement processes, with the main categories of purchasing spend related to technology, operations, and property.

In 2019, we re-assessed the modern slavery 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 for each country globally on the estimated prevalence of modern slavery and how vulnerable each country is to this industry. The recent addition of the Vulnerability Model to the Global Slavery Index helps us identify and better understand and predict where modern slavery is likely to occur. Based on this analysis, 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 Global Slavery Index. Additionally, the types of goods and services procured are generally considered to be lower risk. Of the fewer than 1% of suppliers in higher risk countries including Italy, China, Israel,

and India, we are undertaking further reviews on the sector and type of work provided to Santander UK. In 2020, where our suppliers operate in higher risk jurisdictions, we will conduct additional due diligence.

We have a series of policies, guidelines, processes and committees to manage our supply chain and risks. In 2018, our Reputational Risk Forum approved an revised risk appetite statement regarding modern slavery and human trafficking which clarifies 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)". Based on this clarification of our risk appetite, in 2019 we reviewed and aligned our supplier policies and processes as described below.

## **Policies**

Our Third-Party Outsourcing & Risk Management Policy was updated in 2019 to reflect our revised Risk Appetite Statement. This sets out processes to identify, assess, manage, and report potential risks in our supply chain, such as 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 Third-Party Code of Conduct also went live in 2019. This Code references our Group Human Rights Policy and International Labour Organization standards, including prohibition of forced labour. 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. Suppliers must confirm that they comply with our Code of Conduct during onboarding. Our policy is to hold regular meetings with suppliers and work with them to ensure compliance with Santander UK standards and policies.

Other related policies have been reviewed in light of the revised Risk Appetite Statement. Our procurement process is governed by the Cost Management & Procurement Policy. 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.

## **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 which requires 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. In 2019, we updated our assessment rubric in respect of the Modern Slavery questions within the FSQS assessment, so that it properly reflects our risk appetite. In particular, we amended our processes so that any third party supplier which fails to provide satisfactory answers to the Modern Slavery questions will be subject to a formal review conducted by senior stakeholders to assess whether it would be appropriate for the supplier to be renewed/onboarded.

In 2019, we had 1,420 active in-scope suppliers, and 1,097 of these completed the assessment (77%). Our target is to achieve full coverage of suppliers that we request to complete the FSQS assessment in 2020.

### *Third party Supplier Control Assessments:*

In 2019, together with a leading consultancy, we enhanced our approach to third party supplier control assessments ("TPSC assessments", previously referred to as supplier audits). We introduced a refreshed supplier assessment questionnaire to assess key elements of the supplier control environment, validate self-attested FSQS responses, and confirm that suppliers are meeting our key requirements. Suppliers selected for assessment are prioritised based on the inherent risk of the service. Each of these TPSC assessments includes a review of the supplier's Modern Slavery Statement and Labour Standards Policy.

In 2019 we assessed 15 suppliers with six reports now finalised. Through these TPSC assessments it was highlighted that three suppliers are currently not accredited Living Wage employers. We are currently investigating to ensure that each of these suppliers can demonstrate they have adequate controls in place to ensure all staff working on Santander sites or dedicated to providing services to Santander are being paid the Real Living Wage. In addition, we found that one of our suppliers needs to ensure they have formalised procedures to enable compliance with all relevant labour and working practices, and we are working with the supplier to ensure that these are put in place.

Further enhancements to the TPSC assessment and the depth of testing procedures in this area will be introduced for TPSC assessments taking place in 2020 as part of our continuous improvement programme of work. We also intend to increase the volume of TPSC assessments completed for 2020.

### **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 (RRF), launched in 2018. The RRF has Executive Committee members including our Chief Legal & Regulatory Officer and this forum holds ultimate responsibility for reviewing modern slavery risks with third party suppliers. This forum reports to our Board Responsible Banking Committee.

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

We believe that our supplier due diligence policies and procedures mitigate the risk that slavery and human trafficking might take place within our supply chain. Our new approach to TPSC assessments further increases the visibility we have over our key suppliers, while our newly clarified Modern Slavery risk appetite has been reflected in tougher new processes surrounding the Modern Slavery questions within our FSQS assessments. However, we need to continue to work towards 100% completion of FSQS assessments by suppliers, and to further improve our understanding of modern slavery risk in the supply chain.

## Our customers

### Actions taken in 2019:

- **10 events held for the UK's Regional Organised Crime Units to enhance how law enforcement and Santander work together to protect customers from financial crime and better identify criminals**
- **Active participation in live intelligence-sharing networks to help law enforcement disrupt criminal activity**

### Targets for 2020:

- **Continue to drive UK-wide Anti-Financial Crime education and awareness initiatives**

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 modern slavery and human trafficking. 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. We share these with the industry and other financial crime professionals, such as our typology for the construction industry in a 2019 UK Finance webinar. In 2020 we will continue to focus on developing typologies that will help us identify human trafficking or related crimes.

We use these resources to identify suspicious transactions or accounts, and supply intelligence to law enforcement. This year our Financial Crime Investigations team were actively involved in various cases, including one which resulted in the arrest of human trafficking suspects after migrants were found in the back of a lorry. Building on our operational work, sanitised case studies have also been used in employee awareness raising events for the Santander Anti Financial Crime Culture roadshow.

As well as this, ten awareness events were delivered to Regional Organised Crime Units, educating 850 police investigators on how banks manage financial crime risk. Through this we have built important partnerships which have enabled us to work more collaboratively with law enforcement, resulting in more effective and efficient financial crime prevention.

In 2019 we improved our Know-Your-Customer (KYC) due diligence including by ensuring that the list of high-risk industries, on which we undertake enhanced due diligence, has been expanded to include adult entertainment businesses, considered a potential modern slavery risk. Forced sexual exploitation is estimated to generate two-

thirds of the global profits from modern slavery and human trafficking, \$99bn annually<sup>1</sup>, so this addition will increase our scrutiny of modern slavery and human trafficking issues.

### **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 2019, 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 in 2019:**

- **We held 8 Anti-Financial Crime Culture roadshows with 510 colleagues attending, of which 81% reported behaviour change following the event.**
- **We ran a geo-targeted campaign with Stop the Traffik to raise awareness and capability of branch colleagues**
- **Together with the Santander Vulnerable Customers team, HR created training for branch colleagues on how to identify and respond to potential instances of human trafficking and modern slavery.**

### **Targets for 2020:**

- **Development of new training campaigns as part of a partnership with anti-human trafficking NGO "Stop the Traffik" to improve employee awareness and understanding of modern slavery, focusing on frontline colleagues and high-risk roles.**
- **Fighting Financial Crime training for 2020, mandatory for all colleagues, will include a video-based real-life human trafficking case study seen in a branch, highlighting indicators, interaction and action to take if suspicion exists.**

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

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<sup>1</sup> International Labour Organization (ILO) 'Profits and Poverty: The Economics of Forced Labour', 2014

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 a real living wage and have been an accredited Living Wage employer since 2015. We also 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**

Building a culture of Anti-Financial Crime across the organisation has been a focus of 2019. We held 8 Anti-Financial Crime Culture roadshows with 510 colleagues attending, of which 94% better understood our Anti-Financial Crime Vision and 81% reported behaviour change. These roadshows were supported by external speakers, including law enforcement and the NGO Stop the Traffik.

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. During 2019, the HR Learning Team developed mandatory training and supporting information to support colleagues' capability in this respect

On 5<sup>th</sup> June 2019 we engaged anti-human trafficking NGO Stop the Traffik (STT) to train staff in Boston, Lincolnshire, as part of a targeted campaign to raise awareness, identify exploitation and report suspicious activity. The training was conducted by a member of STT and a member of the Modern Slavery Human Trafficking team at Boston Lincolnshire Police (part of the Foreign National Offending team and Modern Slavery and Human Trafficking department) to approximately 30 branch staff. Based on this engagement, Santander has partnered with STT to develop further training materials for 2020.

## **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.

At Santander UK, we encourage a "speak up" culture. In our 2019 Global Engagement Survey, 80% 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, including 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. Concerns can be raised on a named, confidential or anonymous basis. The whistleblowing policy covers all permanent and temporary employees, including those in any subsidiary or joint venture, as well as contractors and agency workers or similar, directors and non-executive directors. A channel for our third-party suppliers to report concerns over wrongdoing or misconduct involving Santander UK employees or contractors is also available.

## **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 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 in 2019:

- **Completed modern slavery risk analysis of our pension fund managers and third-party suppliers.**
- **For the fund managers and third parties who did not produce or are not required to produce a Modern Slavery Statement, underlying asset and Environmental, Social and Governance (ESG) reviews were carried out.**

### Targets for 2020:

- **Work with the fund managers who did not produce a Modern Slavery Act Statement to request they consider producing a statement in 2020.**
- **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 taken appropriate steps to help prevent slavery and human trafficking.

Our review covered 44 fund managers and found that 31 fund managers had produced modern slavery statements setting out credible steps to help prevent slavery and human trafficking. The remaining 13 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 13 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. Where available, there was also 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.

The result of this analysis was that, for 11 of the 13 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; and (ii) investing in low-risk sectors such as technology, healthcare or financial services.

In respect of the two remaining fund managers, the analysis of their Environmental, Social and Corporate Governance Policy highlighted that both fund managers have extensive and robust policies in place meaning that they would not invest in companies with a high risk of Modern Slavery issues. 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.

Our process was expanded in 2019 to also include third party suppliers, who we engage to provide services to our pension scheme. We reviewed 27 suppliers, of which 22 had provided statements pursuant to the Act. The remaining 5 suppliers were not required to produce statements as they did not meet the necessary criteria.



Nevertheless, we reviewed the industry and jurisdictions of these suppliers to determine whether they were at medium or high risk of slavery. Given they were all providing professional services, we concluded the risk was low.

#### Effectiveness of our pension scheme review

As a result of the above review, we believe that there is no significant Modern Slavery risk arising from fund managers or third parties in the Santander pension schemes at present. In 2020, we hope to work with the fund managers who did not produce a statement in 2019, to request they produce a statement for year ending 2020.

## 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 26 February 2020.



**Nathan Bostock**  
Chief Executive Officer  
Santander UK Group Holdings plc and Santander UK plc

#### Companies covered by this statement

Santander UK Group Holdings plc	Abbey Covered Bonds LLP
Santander UK plc	Fosse Funding (No. 1) Limited
Santander Asset Finance plc	Langton Funding (No. 1) Limited
Cater Allen Limited	