

Modern slavery statement.

Local banking
for Britain



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Introduction.

The Modern Slavery Act aims to stop people being forced to work, exploited or trafficked, including buying or selling them as 'property', or controlling them with mental or physical threat.

This statement sets out our actions to understand the modern slavery risks related to our business. And describes the steps we take to prevent slavery or human trafficking in our own business or our supply chains. This statement relates to actions and activities during the financial year January to December 2017.

Modern slavery is happening more often than people may realise and we recognise it may exist somewhere in our supply chain beyond our immediate suppliers. That's why we're committed to protecting people and acting to prevent slavery and human trafficking in our corporate activities.



Our business

TSB is a values-led challenger bank with over 550 branches across the UK, over 5 million customers, and over 8,000 employees, who we call Partners, and a large supplier network. At TSB, we believe that bringing more competition to UK banking will ultimately make banking better for all UK consumers. We're doing this by building the sort of bank that customers have told us they want: a transparent and straightforward bank that supports local economic growth and helps local people and the communities they live in to thrive. We call this 'Local Banking for Britain'. TSB is part of the Sabadell Group, which is Spain's fifth largest banking group. We share very similar values with strong traditions of focusing on and supporting hard working local people and businesses.

Our values

We recognise the aim of the Modern Slavery Act and take our responsibilities seriously. Our values guide us in everything we do – treating others fairly with dignity and respect form the basis of the behaviours we expect from everybody in TSB, including our suppliers.

We are:

- Responsible
- Straightforward
- Pioneering
- Collaborative
- Transparent

How we treat our Partners

At TSB, we believe everyone has a right to be treated with dignity and respect, and work in a safe and supportive environment. We're committed to creating an open and transparent culture and encourage all Partners to act responsibly and call things out when they think something's wrong, for example by using the Whistleblowing helpline.

We've put policies in place that set out the values and behaviours we expect everyone to demonstrate. To make sure all Partners understand these policies we provide a range of training such as the TSB Experience. This transformational programme is focussed on how they behave with customers and each other. After rolling it out to all Partners during 2015 and 2016, the TSB Experience is now delivered to all new to Bank Partners and incorporated into our learning pathways. Our values also form a key part of induction and welcome events, which all new Partners attend. Our managers have extra responsibilities that involve managing people, so we give them dedicated training, including sessions on 'Dignity and Respect at Work'.

We involve our Partners and their representatives in decisions that affect them. Our recognition agreement with our unions, Accord and Unite, aligns to our values and includes guidelines for how we negotiate and consult with them. The range of topics we consult on goes beyond what the law asks us to do.

'The Link', a forum formed of Partners across all levels, gathers and builds on Partner feedback and enables meaningful dialogue between Partners and the executive leadership. There are five regional groups covering Britain, made up of people from every part of the business. The outputs from every meeting are presented to the Bank Executive Committee to help inform our activity and strategic outlook.



We also ask our Partners to tell us what they think about working at TSB every year. This year we partnered with Great Place to Work once again and almost 80% of our Partners took part in the survey.

Our union recognition agreement, 'The Link' forum and our annual survey mean we have meaningful discussions with our Partners. So, everybody is well informed and has their voice heard.

We make sure we reward our Partners fairly and appropriately for the role they're doing. We target the total cash reward (basic salary plus TSB Award) at the mid-point of the relevant external market range. And, as an accredited Living Wage employer, everyone is paid at least the real Living Wage. This is independently calculated each year, based on what people need to support themselves and their families. Our total reward package includes a discretionary annual TSB Award which gives all our Partners the opportunity to receive the same Award as a percentage of their basic salary; a defined contribution pension scheme, with employer contributions of up to 13% base salary; and a Flexible Benefits scheme, where TSB gives a payment equivalent to 4% of base salary for Partners to use to select from a variety of benefits - such as private medical cover. In addition, Partners can take part in our share schemes.

In 2017:

We're committed to creating a positive and inclusive culture, and we're proud to be recognised for the work we're doing. In 2017 TSB was named as one of the top ten Best Big Companies to work for in the UK at the Sunday Times Best Companies to Work for awards. And it was our Partners who helped put us there. Best Companies surveyed a random sample of 2,500 TSB Partners and asked questions about leadership, management, wellbeing, their job, pay, prospects and the impact TSB has on society.

We've also received recognition of our excellent safety standards for our Partners and customers. The Royal Society for the Prevention of Accident's (RoSPA) health and safety awards recognises organisations which have shown commitment to accident and ill-health prevention. TSB achieved Gold standard in 2017 in the Achievement category, which measures health and safety management.

Working with our customers

Our policies give Partners guidance on the risks we need to consider at all stages of our customer relationships. We also have a broad range of additional checks we may follow up with, based on the level of financial crime risk we've identified, including modern slavery.

We work closely with the police, and other agencies, to make sure we're doing the most suitable checks. If we ever uncover evidence or suspicions of criminal activity we'll always make sure we follow the necessary reporting.

Much of our day to day contact with customers comes through our branches. To support that important role, we've increased awareness of modern slavery and human trafficking amongst all branch Partners. This includes raising awareness of what indicators to be aware of to help identify victims or perpetrators of modern slavery and adopting a local approach to tackling modern slavery.

We expect all TSB Partners to complete mandatory training relevant to their role. This includes training on money laundering, and vulnerable customers, which could help them identify modern slavery in our customer relationships. To make sure the training is effective, we ask Partners to take a test at the end of the course and we track participation and pass rates.

In 2017:

Our Financial Crime team attends regular meetings of the Joint Money Laundering Intelligence Taskforce's Human Trafficking and Organised Immigration Crime working group. We've continued to enhance our transaction monitoring capabilities, based on indicators and intelligence shared at these meetings. This has resulted in more valuable customer monitoring based on transactional behaviour, which could indicate involvement in activities linked to modern slavery. We also improved guidance for the Partners who work with our customers. We developed a modern slavery aide memoire for branch Partners. This gives them guidance and advice on spotting the potential signs of modern slavery and how to provide support. We shared it throughout the branch network and other relevant business units as part of our Financial Crime training.

Our supply chain

Based on our employment practices and those of our supply chain, we believe the risk of modern slavery in our industry is low. But we've identified some areas where our suppliers may be at higher risk, for example:

- Overseas suppliers
- The people who provide facilities, such as cleaners
- Manufacturing, such as staff uniforms
- The building trade
- Temporary recruitment firms

We have policies in place to make sure our suppliers understand our values and apply those values to their own businesses. And we've enhanced our policies to show our commitment to prevent modern slavery. We carry out checks at every stage of the relationship with our suppliers to assess their risk of modern slavery. This includes carrying out an assessment of potential new suppliers and extra checks each year during the life of an existing supplier relationship.

Our Risk team are involved in all assessments for both new and existing suppliers. If we identify any suppliers as higher risk, we carry out an additional level of risk assessment.



In 2017:

We've continued to carry out checks on our suppliers and commissioned an independent audit of one of our potentially higher risk suppliers – our uniform provider. This found no risks or issues relating to labour practices or modern slavery. We've also started to look more deeply into our supply chain – suppliers of our suppliers – to make sure modern slavery is prevented in the wider market.

Due diligence

Reviewing our existing suppliers

We do due diligence checks every year for our higher risk suppliers. And, we review the statements they give us on their processes and controls against modern slavery. We do more detailed reviews of suppliers in higher risk areas. We haven't found any immediate gaps or concerns and we've been reassured that our suppliers have the appropriate controls in place.

In 2017:

We've continued to increase our understanding of modern slavery risks to make sure our checks are strong. We monitor key suppliers to ensure they pay employees the Living Wage and funded the payment of National Living Wage to employees in our facilities management supplier. In 2018, we'll continue to work with experts to develop our supplier checks. We haven't found any immediate gaps or concerns and we've been reassured that our suppliers have the appropriate controls in place.

Assessing new suppliers

Before we set up any new relationships with potential suppliers, we always check to make sure their values align to ours. These checks cover a broad range of policy areas including corporate and social responsibility, accessibility, and pre-employment vetting. Our standard supplier contracts also include requirements for suppliers to prevent modern slavery in their operations and their supply chain. Our processes make sure new suppliers provide us with evidence their controls against modern slavery meet the same standards as our own.

In 2017:

We've assessed all new suppliers and evidence they've provided that their controls against modern slavery meet the same standards as our own. Our review showed us our suppliers have a good awareness of the dangers of modern slavery and we don't have any material concerns around their working practices. We'll continue to use the controls we've introduced to carry on checking in with them to make sure this doesn't change.

Relevant policies

We have policies that set out a way to do business that supports our values. And we have controls in place to make sure we stick to those policies. We've updated many of these controls to include additional checks to make sure modern slavery risks are fully considered, particularly within the supply chain. These include:

- **TSB Partner Employment policy.** Our policy is aligned to our values and makes it clear to Partners the standards and behaviours expected of them when representing TSB. We only use specified, reputable employment agencies and always verify the practices of any new agency before accepting workers from that agency.
- **Whistleblowing policy.** We encourage all Partners to report any concerns related to TSB activities and those of our suppliers. This includes suspicion of any criminal activity. Our confidential Whistleblowing helpline is designed to make it easy for people to make disclosures without fear of retribution.
- **Customer Treatment Policy.** We have high expectations of the way that both our Partners and suppliers treat our customers. This includes specific provisions to make sure that we take care of vulnerable customers. Partners are trained to spot these customers at an early stage and provide appropriate support where they can.
- **Procurement policy.** We are committed to making sure our suppliers adhere to the highest standards of ethics. And we ask suppliers to demonstrate that they provide safe working conditions, treat workers with dignity and respect, and act ethically and within the law.



What next?

We'll continue to build our understanding of how to prevent modern slavery and improve what we do. There are several things we're already working on:

- We've included modern slavery in our mandatory training schedule for 2018, which all Partners must complete.
- We're carrying out a thematic review of modern slavery to assess branch Partners' awareness and the effectiveness of the tools and training we introduced.
- For all our major suppliers, we're extending our due diligence checks to the wider supply chain. This is to make sure our supply chain prevents modern slavery as well as our immediate suppliers.
- We'll continue to assess new suppliers to the highest standards and include contract clauses to prevent modern slavery.
- We're building relationships with experts in this area and using insight from other organisations to understand best practice.

Board approval

This statement has been approved by TSB's Board, on 19 March 2018, who will review and update it annually.

Director's signature:

A handwritten signature in black ink that reads "Richard Meddings".

Director's name:

Richard Meddings, Executive Chairman

Date:

4 September 2018

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Information is correct as at March 2018.

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