

Modern slavery statement.

Local banking
for Britain



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 TSB's actions to understand the modern slavery risks related to our business and describes the steps we take to make sure there is no 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 2016.

We are committed to preventing slavery and human trafficking in our corporate activities and to protecting people from slavery and human trafficking.

Our business

TSB is a values-led challenger bank with nearly 600 branches across the UK, almost 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 are 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 help themselves. 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'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 – a transformational programme for all Partners focussed on how they behave with customers and each other. 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 special training, including sessions on 'Dignity and Respect at Work' and 'Unconscious Bias'.

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. It 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 TSB's activity and strategic outlook.

We also ask our Partners to tell us what they think about working at TSB every year. For this year's survey, for the first time, we partnered with Great Place to Work with 73% of our Partners taking part.

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.

In 2016:

We're committed to paying our Partners fairly and appropriately for the role they are doing. We target the total cash reward (basic salary plus TSB Award) at the mid-point of the relevant external market range. And 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. In August 2016 we became an accredited Living Wage employer. This put us among a pioneering group of companies who go beyond what the law requires and commit to paying both our direct employees and our suppliers who regularly work on our premises at least the real Living Wage.

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 required reporting.

Much of our day to day contact with customers comes through our branches. To support that important role we'll be increasing awareness of modern slavery and human trafficking amongst all branch Partners. This will include raising awareness of what indicators to be aware of to help identify victims or perpetrators of modern slavery. It will also include 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 drug trafficking which could help them identify modern slavery in our customer relationships.

In 2016:

We arranged for the Metropolitan Police's Human Trafficking and Kidnap Unit to give key TSB Partners involved in looking at Financial Crime extra training on potential indications of human trafficking and modern slavery. This helped us to introduce extra screening of customer data at transactional level, which means we can look for potential indicators of modern slavery.

We also got in touch with organisations tackling human trafficking, such as The Salvation Army, to understand more.

Our supply chain

The risk of modern slavery in the UK banking industry is low. But the risk for some of our suppliers is higher, for example:

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

We have policies in place to make sure our suppliers understand our values and apply those values to their own businesses. 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 TSB 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 2016:

We enhanced our policies and checks to give us more confidence that our suppliers have robust processes in place to prevent modern slavery in their businesses. We've included some examples of those enhancements in the section below.

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.

In 2016:

We reviewed our list of suppliers to identify those who may be higher risk. We based this on what we know about the higher risk industry sectors and by looking at which suppliers had overseas operations in their supply chain.

We developed a specific questionnaire to assess their awareness of the Modern Slavery Act and what they were doing to keep slavery out of their operations.

We didn't find any immediate gaps or concerns and we were reassured our suppliers had 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.

We also do an assessment of risk that specifically focuses on modern slavery. The supplier must then complete an exercise to show they meet the minimum standards of our policies. And, we ask them to provide evidence they have effective processes and controls in place to prevent modern slavery.

If we think a potential supplier might be at risk of failing to meet our standards we ask them to complete a corporate social responsibility return. This confirms they are aware of the Act and have processes in place to prevent modern slavery.

In 2016:

We introduced a process to make sure new suppliers provide us with evidence that their controls against modern slavery meet the standards of 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.

Our future plans

Modern slavery is a wide-ranging concept that will change over time. The way we understand it and the way we work to prevent it will evolve too. We are well equipped because however circumstances change and wherever challenges appear, our values will always be the foundation of our response.

So, in 2017 we're committed to looking at new ways to strengthen our controls around slavery and exploitation. This includes looking to increase our monitoring of our suppliers by expanding the range of questions and information we gain from them. We'll also look at working with external insight agencies and industry groups to make sure best practices are shared and incorporated into our activity.

Board approval

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

Director's signature:



Director's name:

Paul Pester, Chief Executive Officer

Date:

22 March 2017

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Information is correct as at March 2017.

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