

Directors' Report continued

has been adopted which defines unacceptable non-audit assignments, pre-approval of acceptable non-audit assignments and procedures for approval of other non-audit assignments.

The Audit and Risk Committee may make any recommendations to the Board as it sees fit and the Chairperson of the Audit and Risk Committee reports formally to the Board after each meeting. The members of the Audit and Risk Committee are Rosemary Thorne (Chairperson), Juan Rodriguez Inciarte, José Maria Carballo, Keith Woodley, Roy Brown and Jane Barker.

Remuneration Committee

The Remuneration Committee was formally dissolved on 12 October 2008 following the acquisition of the Company by Banco Santander, S.A. Prior to this date, the Remuneration Committee was responsible for determining the pay and benefits and contractual arrangements of the Directors and Senior Managers of Alliance & Leicester. These responsibilities are now discharged by the Banco Santander, S.A. Appointments & Remuneration Committee.

Directors' Remuneration (audited)

The aggregate remuneration received by the Directors of the Company in 2008 was:

	£
Salaries and fees	1,929,979
Performance-related payments	50,500
Other taxable benefits	38,674
Total remuneration excluding pension contributions	2,019,153
Pension contributions	186,170
Compensation for loss of office	931,037

These totals exclude emoluments received by Directors in respect of their primary duties as Directors or Officers of Abbey National plc or Banco Santander, S.A., in respect of which no apportionment has been made.

Long Term Incentive Plans (audited)

During 2008, prior to the acquisition of the Company by Banco Santander, S.A., three Directors and six other Key Management Personnel received conditional awards of shares and options under the Alliance & Leicester Long Term Incentive Plan and the Company Share Option Plan respectively for a total fair value of £678,257. These awards and options were in respect of the Company's ordinary shares. All Long Term Incentive Plan awards lapsed on 7 October 2008; all Company Share Option Plan options granted in 2008 remain unexercised as at 31 December 2008 and will lapse on 7 April 2009. On 7 October 2008, three Directors and four other Key Management Personnel exercised options under the Alliance & Leicester Deferred Bonus Plan. Alliance & Leicester Deferred Bonus Plan options outstanding as at 31 December 2008 will lapse on 7 April 2009. No further options were granted over the Company's ordinary shares.

Remuneration of Highest Paid Director (audited)

In 2008, the remuneration, excluding pension contributions, of the highest paid Director was £663,936 (2007: £860,000) of which £25,000 (2007: £249,000) was performance related. The accrued pension benefit for the highest paid Director as at 31 December 2008 was £109,647 (2007: £108,155). A conditional award of shares was made to the highest paid Director under the Long-Term Incentive Plan during the year.

Retirement Benefits (audited)

Defined benefit pension plans are provided to certain of Alliance & Leicester's employees. See Note 33 to the Consolidated Financial Statements for a description of the plans and related costs and obligations. Retirement benefits are accruing for one Director under the Alliance & Leicester Defined Benefit Scheme (2007: three) in respect of his qualifying service to Alliance & Leicester.

Non-Executive Directors (audited)

Fees were paid to Non-Executive Directors in 2008 totalling £748,784 (2007: £906,000); this amount is included above in the table of Directors' remuneration and excludes emoluments received by Terence Burns, Juan Rodriguez Inciarte, José Maria Carballo, José Maria Fuster, Rosemary Thorne and Keith Woodley, which are shown aggregated in the Report and Accounts of Abbey National plc.

Directors' Interests and Related Party Transactions (audited)

In 2008, loans were made to four members of Alliance & Leicester's Key Management Personnel, with the principal amount of £217,000 outstanding at 31 December 2008. No Directors had loans outstanding at 31 December 2008. See Notes 41 and 42 to the Consolidated Financial Statements on pages 96 to 98 for disclosures of deposits and investments made and insurance policies entered into by the Directors, Key Management Personnel and their connected persons with Alliance & Leicester at 31 December 2008. Note 42 to the Consolidated Financial Statements also includes details of other related party transactions.

In 2008 there were no other transactions, arrangements or agreements with the Group in which Directors or Key Management Personnel or persons connected with them had a material interest, other than options to subscribe for ordinary shares under the Alliance & Leicester Share Option Plans. No Director had a material interest in any contract of significance other than a service contract with the Company or any of its subsidiaries, at any time during the year. During 2008, no Directors exercised share options over shares in Banco Santander, S.A., the ultimate parent company of the Company (2007: none).

Third Party Indemnities

Since 26 November 2008, the Company has issued enhanced indemnities to its Directors against liabilities and associated costs which they incur in the course of their duties for Alliance & Leicester. All of the indemnities remain in force as at the date of this Annual Report and Accounts. A copy of each of the indemnities is kept at the address shown on page 107.

Financial Risk Management Objectives

The financial risk management objectives and policies of the Group; the policy for hedging each major type of forecasted transaction for which hedge accounting is used; and the exposure of the Group to price risk, credit risk, liquidity risk and cash-flow risk are outlined in the Risk Management Report on pages 16 to 33.

Pension Funds

The assets of the Alliance & Leicester Pension Scheme are held separately from those of Alliance & Leicester and are under the control of the trustees. As at 31 December 2008 the Alliance & Leicester Pension Scheme had nine trustees, of whom five are selected by Alliance & Leicester (one of whom is an independent trustee) and four are elected by eligible members. Asset management of the schemes is delegated to a number of fund managers and the trustees receive independent professional advice on the performance of the managers. Legal advice to the trustees is provided by an external firm of solicitors. The audits of the pension scheme are separate from that of Alliance & Leicester and are all undertaken by KPMG LLP. Further information is provided in Note 33 to the Consolidated Financial Statements.

Market Value of Land and Buildings

On the basis of a periodic review process, the estimated aggregate market value of the Group's land and buildings was not significantly different from the fixed asset net book value of £173m, as disclosed in Note 22 to the Consolidated Financial Statements. It is considered that, except where specific provisions have been made, the land and buildings have a value in use to the Group that exceeds the estimated market value, and the net book value is not impaired.

Disability

Alliance & Leicester is committed to equality of access and quality of service for disabled people and embraces the spirit of the UK Disability Discrimination Act 1995 and 2005 throughout its business operations. Alliance & Leicester has processes in place to help recruit, train, develop, retain and promote employees with disabilities and is committed to giving full and fair consideration to applications for employment made by disabled persons, and for continuing the employment of, and arranging appropriate training for, existing employees who have become disabled.

Employee Involvement

Employee Share Ownership

During 2008, eligible employees were able to participate in a ShareSave plan, or a Share Incentive Plan to acquire partnership shares which gave employees the opportunity to save money from their pre-tax salary. Through these share plans, a number of employees owned shares in the Company. At the time of the acquisition by Banco Santander, S.A., shares held in the Alliance & Leicester Share Incentive Plan were converted into Banco Santander, S.A. shares on the same basis as all other shareholders. Options granted under the Alliance & Leicester ShareSave Plan became exercisable from 7 October 2008 and will lapse on 7 April 2009.

In recognition of the Banco Santander, S.A. acquisition of the Company all employees were given 100 free shares in Banco Santander, S.A. on 1 December 2008. These shares were granted using an HM Revenue & Customs approved Share Incentive Plan. The free shares will be held in trust on the employee's behalf for a minimum of three years. At present no new all employee share plans are expected to be launched.

Communication

Alliance & Leicester wants to involve and inform employees on matters that affect them. Almost all employees have access to the Company intranet. Alliance & Leicester also uses more traditional methods of communication such as team meetings. All these channels are designed to keep employees fully informed of news and developments which may have an impact on them and also to keep them up-to-date on financial, economic and other factors which affect the Group's performance. Alliance & Leicester considers employees' opinions and asks for their views on a range of issues through regular company-wide opinion surveys.

Consultation

Alliance & Leicester has for many years worked closely with the Communication Workers Union ('CWU') and the Public and Commercial Services Union ('PCS'), who are the independent trade unions that it recognises to act as the voice of Alliance & Leicester employees. CWU and PCS are affiliated to the Trade Union Congress and operate from their own offices. CWU and PCS are involved in major Alliance & Leicester initiatives and the Company consults them on significant proposals within the