



PART OF THE SANTANDER GROUP

07
CORPORATE SOCIAL
RESPONSIBILITY REPORT



This is Abbey National plc's eighth annual Corporate Social Responsibility (CSR) Report. It covers activities relating to Abbey's operations in the UK for the period January to December 2007 and takes into account developments at the beginning of 2008 where they have a bearing on the content of the report.

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INTRODUCTION



This has been a significant year for Abbey's Corporate Social Responsibility (CSR) programme. The first year of our 3 Year Plan has been implemented successfully and we have introduced the first of our new flagship programmes.

In our last report, we outlined our plans for developing CSR at Abbey. From 2007-9 we have a clear roadmap that will ensure our programme appropriately reflects our position as part of a worldwide banking group.

Following the turnaround of Abbey, the business is in a much more stable position and we can step up our investment in CSR. In the first year of the CSR plan we have focused on those areas where historically we have seen underinvestment.

Prioritising issues


We have made good progress in the seven areas that we identified as priorities - financial exclusion, employee diversity, volunteering, corporate donations, environmental impacts, climate change and supplier engagement. By focusing our work on a relatively small number of areas we have been able to make good progress in the year. For example we have appointed a dedicated manager to oversee the important work of employee diversity and introduced a new training programme for our senior leadership team. We created a new employee volunteering scheme – Abbey Community Events – which resulted in over 400 members of staff spending a day out of the office helping local charities. And we launched a new waste management system to increase the amount of waste we recycle across our property portfolio.

Forging alliances

The first steps in establishing flagship activities for CSR were also taken in the year. Santander's CSR is centred around a commitment to education and over the past 10 years they have forged a unique alliance between the academic world and the financial sector. The Group has established partnerships with over 600 universities in Latin America, Europe and the United States and to date has provided funding of over £400million to support higher education. In 2007, the scheme was launched in the UK and Abbey signed agreements with 10 universities bringing the benefits of the global network to some of the country's leading higher education institutions.

In 2008, as we progress on our CSR journey we will continue to invest resources in the priority areas and we anticipate 30 UK universities will become part of 'Santander Universities'.

Taken together this focus will help Abbey to establish a CSR programme that makes a significant contribution to our vision of becoming the best commercial bank in the UK.



Lord Burns
Chairman



COMPANY PROFILE

Abbey is the UK’s third largest residential mortgage lender and is one of the leading providers of banking services, savings, protection and self-invested personal pensions in the country. Our range of well-known brands provides services to over 16 million customers.



Global



PART OF THE SANTANDER GROUP

UK retail



UK CORPORATE BANKING



PART OF THE SANTANDER GROUP



WEALTH MANAGEMENT

UK operating business



FOR INTERMEDIARIES



INTERNATIONAL

Sub-brands



Specialist brands



RETAIL PRODUCTS

Bank accounts
Mortgages
Savings and Pensions
Loans and Credit Cards
Investments
General insurance
Life protection

CHANNELS

Branches
Phone
Internet
Cash machines
Independent financial advisers

PRINCIPAL OFFICES

London
Milton Keynes
Bradford
Glasgow
Belfast
Sheffield

GOVERNANCE STRUCTURE

Abbey is a wholly owned subsidiary of Banco Santander, S.A. Currently the Abbey Board is comprised of a chairman, three executive directors including the chief executive, and eight non-executive directors. The roles of chairman and chief executive are separated and clearly defined. The Board has one standing committee: the Audit and Risk Committee.

Business divisions

- Retail Banking – offers residential mortgages, savings, banking and other personal financial products, managed across five channels: retail distribution, business banking, premium banking, e-commerce and intermediary.
- Wealth Management – offers private banking services, self-invested personal pension plans and WRAP and specialist banking services, James Hay and Cater Allen.
- Global Banking and Markets – provides financial markets sales, trading and risk management services, as well as manufacturing retail structured products
- Corporate Banking – offers banking services to small and mid-sized UK companies.

Support divisions

- Retail Products and Marketing – responsible for integrating and gaining the maximum value from Abbey's products, marketing and brand communications.

- Human Resources – responsible for delivering human resources strategy, personnel support and the learning function.
- Manufacturing – responsible for all information technology, cost control and operations activity (including customer service centres).
- Risk – responsible for ensuring an appropriate risk policy and control framework.
- Internal Audit – responsible for supervising the compliance, effectiveness and efficiency of internal control systems in order to manage Abbey's risks.

There are four further units - Legal, Secretariat, Compliance, Communications and Universities; Complaints and Service Quality; Group Infrastructure and Finance.



COMPANY PROFILE

BUSINESS UPDATE

Abbey had a good year in 2007, the third year since the acquisition by Santander. We delivered strong results in challenging market conditions and achieved all the 2007 targets that were set out at the time of the acquisition. We improved our trading profit before tax by 30%, increased our revenues by 6.6% and further reduced our trading cost:income ratio to below 50%. This ratio is now broadly in line with our sector.

Underlying our results was a good performance in mortgages and savings, where we improved our new business market share whilst continuing to manage margin and growth successfully. We also delivered a very good performance in areas where we see opportunities for profitable growth, such as investments, bank accounts and credit cards.

Summary highlights:

- Personal Financial Services trading profit before tax increased by £254m to £1,104m compared to £850m in 2006;
- Retail Banking income benefited from asset growth of 8%, in challenging market conditions.

Credit market conditions

Abbey is exceptionally well positioned to deal with the recent difficult credit conditions through our relationship with Santander, as it is one of the world's largest and best capitalised banks with a strong focus on retail banking. Our resilient retail balance sheet performance in the second half of 2007 reflects our strong retail funding mix, which is around 60% deposit based and less than 10% short term funded.

Credit quality remained strong, with the average loan to value (LTV) on new and existing business remaining low at 64% and 45% respectively. Less than 5% has a LTV of greater than 90%, and Abbey has no net exposure to sub-prime mortgage lending.

OPERATIONAL UPDATE

The Partenon implementation, one of the largest IT projects undertaken to date in the UK, is an important part of our plans to improve service quality, increase customer loyalty and enhance efficiency. During 2007, many of our core products were migrated onto the new platform and we are now reaching the final stages of the project. In 2008, we will complete the migration and continue the development and training of the sales force to maximise the benefits of the new system.

Our operations continued to be further integrated into the Santander Group during the year and Abbey Financial Markets was rebranded as Santander Global Banking & Markets, reflecting the closer relationship the UK operations now have with the global division. In our Wealth Management division we made a significant investment to upgrade our IT capability and we also entered into a joint venture with Santander Private Banking to further develop our private banking offering in the UK, leveraging Group capabilities and expertise.

During 2007, Santander launched a new credit card business leveraging Abbey's branch distribution in the UK. We also launched a project to accelerate growth in our business banking and mid-corporate banking capabilities.

PLANS FOR 2008

Over the past three years, we have worked with the support of Santander to develop a strong platform for growth in the UK. In 2007, Abbey made strong progress and our ability to leverage Santander's global presence is an important part of these plans in the UK.

We are building on our retail banking strengths by developing into other areas like business banking, mid-corporate banking and wealth management, and our vision is now to become the 'best commercial bank in the UK'. Retail Banking will always remain core to Abbey's revenues, but it is important that we take advantage of new opportunities to capture growth in different markets and customer segments.

In 2008, we will place a greater focus on our five themes to achieve our vision. This means:

- Better customer **service** and 'value for money' products for our customers – making use of Partenon and our improved cost position, improving sales productivity and improving service levels;
- Further improvements in **efficiency** – allowing us to reinvest the money we save in the business;
- Increased **customer loyalty** – encouraging our customers to buy more from us as they have better 'value for money' products;
- Better **teamwork** – leveraging both global and local expertise and capabilities; and
- More focus on **meritocracy** – making sure we recognise and reward our employees for their performance.



ECONOMIC DATA

	2007	2006
Operating highlights (£m)		
Pre-tax profits on continuing operations	864	428
Net attributable income	685	68
Balance sheet (£m)		
Reserves	3,344	3,116
Equity Tier 1	4,971	5,040
Total assets	199,623	191,805
Total customer funds	69,650	66,519
Management ratios (%)		
PFS trading cost: income ratio	50	55
Tier 1 ratio	7.3	8.0
Key data		
Number of customers (million)	16,413	16,904
Number of employees (full-time equivalent)	16,360	16,395
Number of branches	704	712
Social contribution (£m)		
Salaries and other staff costs	717	766
Taxes on continuing operations	179	115
Community contribution	3.2	2.8



TAKING RESPONSIBILITY

Abbey is committed to being a good corporate citizen and to treating all those who come into contact with us in a fair and ethical manner.

CSR 3 YEAR PLAN

We take into account how we deal with our customers and employees, how we manage our ethical and environmental responsibilities, and how we support the communities we work in.

MANAGEMENT FRAMEWORK

The Abbey approach to CSR is based on five stakeholder areas: customers, employees, communities, suppliers and environment. The Company Secretary has executive-level responsibility for CSR at Abbey. The management framework consists of a senior-level CSR Committee, supported by a CSR Working Group. Each comprises representatives from across the business for the five stakeholder areas. The Abbey Board is provided with an annual update on CSR activities.

CSR STRATEGY

A new CSR three-year plan was launched in 2007 with a clear roadmap to:

- establish strong foundations for the programme
- address priority areas
- develop flagship activities for CSR at Abbey.

Addressing gaps

In the first year of the plan, activities were focused on seven priority areas - financial exclusion, employee diversity, volunteering, corporate donations, environmental impacts, climate change and supplier engagement.

By focusing resources and attention on a relatively small number of key areas, we were able to make good progress during 2007 on resolving these areas which had historically suffered from under investment.

PROGRESS AGAINST PRIORITIES

Customers

1. Financial exclusion

Abbey has established an affordable credit fund in order to improve financial inclusion. In the year, five projects were supported around the UK that will help to expand access to affordable credit.

Employees

2. Diversity

A diversity manager was appointed in May 2007 to help drive forward issues around equality in the workplace. Diversity awareness training was launched, an equal pay audit undertaken and a new Inter-Retail Bank Network was set up to help share learning within the finance sector.

3. Volunteering

To increase staff participation in volunteering a new initiative – ACE (Abbey Community Events) – was launched in June which encouraged teams to spend a day out of the office with a local charity. Over 400 employees from around the UK participated, supporting 28 charity projects.

Communities

4. Long-term funding

Abbey increased its funding to the Abbey Charitable Trust which enabled the introduction of a new three year grants programme. In 2007, five charities received £150,000 each providing a new form of sustainable project financing for UK charities.

Suppliers

5. Ethical trading

To ensure suppliers are fully aware of Abbey's policy on ethical trading the Procurement Policy and new terms and conditions were published on the corporate website during 2007. The policy outlines Abbey's commitment to the United Nations Global Compact on human rights, labour regulations, protection of the environment and anti-corruption.

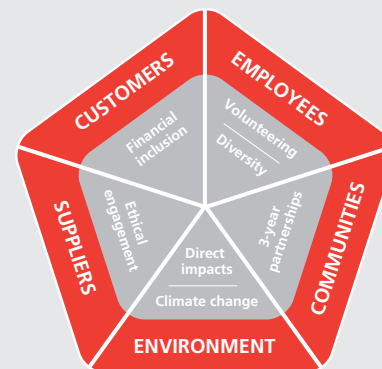
Environment

6. Direct impacts

A new recycling policy was introduced at Abbey in 2007 which saw the removal of desk bins and collection of different waste types at central points within each building. Investment was made in lighting and heating equipment to improve energy management and as a result, there was a decrease in energy of 4%. An Environment Champions scheme was launched which saw employees with a keen interest in environmental issues volunteering to help support Abbey's 'green' initiatives.

7. Climate change

Practical solutions to the challenges of climate change in the financial sector were addressed by the FORGE group of UK banks and insurance companies, of which Abbey is a member, with the development of a Guidance Framework on Climate Change.



CSR Programme Model

Flagship programme

We also began to develop flagship activities based on our core CSR themes: financial health, education and housing. Santander believes that investing in higher education is the most powerful means of promoting the development and prosperity of society. The 'Santander Universities' scheme, launched in 1996, is the cornerstone of the group's CSR programme and provides support for teaching and research, international cooperation and student mobility.

The initiative was launched at Abbey in 2007 and during the year, ten of the country's top universities joined the scheme. Funding of over £700,000 was provided, supporting over 200 students and researchers and enabling the universities to develop a variety of projects. During 2008, we will continue to develop partnerships with UK universities and expect to have relationships established with 30 by the end of the year.

Raising awareness

As part of the strategy, we launched an internal communications campaign to help raise employee awareness and understanding of Abbey's approach to CSR. Our internal magazine Ideas carried a series of articles on CSR and we produced a poster campaign to outline the principle of CSR, this was supplemented by a dedicated poster highlighting Abbey's community activities.

In 2008, we will continue to work on the seven priority areas and devote increasing resources to the flagship universities programme to ensure as Abbey's success grows we make an even more positive contribution to society in the UK.

REPORTING MODEL

We use the Global Reporting Initiative (GRI) as a standard for reporting on CSR and have cross-referenced the GRI indicators that are relevant to Abbey at the back of the report (p. 32-33). The CSR Working Group has responsibility for defining the content for the report and each representative prepares material for the stakeholder group they represent – customers, employees, communities, environment and suppliers.



Additional information is gathered to ensure our wider stakeholders – regulators, government, the media and consumer groups – and their views are taken into account. This ensures that we cover issues that not only do we believe are important to our business but also those that are deemed as material by society as a whole.

The report is made available to all our stakeholders via the internet - www.aboutabbey.com > csr - and is available in a summary format for those who are looking for less detailed information.



CUSTOMERS

Abbey recognises the impact and responsibilities we have as a major financial services provider in the UK and we ensure we support initiatives that widen access to financial services where possible.

UNDERSTANDING CUSTOMERS

To improve our understanding of customer needs we carry out extensive research every year. We conducted hundreds of thousands of interviews with customers in 2007 to understand what they want from financial products and services, and how Abbey is meeting, or can meet, those needs. These surveys are ongoing, covering our service levels, product competitiveness and our reputation, in addition to ad-hoc product and service related research surveys we carry out.

DELIVERING VALUE

We are committed to improving our products and services in order to provide greater value for customers. This is an essential part of Abbey's long-term strategic positioning in the market, and as we become more efficient as a business we'll look to pass on greater value products and services to our customers.



In 2007 Abbey launched a current account that pays 8% interest to customers switching to Abbey, and continued to offer a standard current account that paid up to 25 times more interest than many of the similar accounts offered by competitors.

For mortgage customers, Abbey launched a package called Premier Homebuyer Solution, which was unique in the market at that time, offering a free valuation and legal services for home movers. This was particularly targeted to meet the identified needs of customers who are struggling to cover the significant up front costs of moving house.

Abbey also launched the innovative Fix and Flex mortgage providing customers with the full benefits of a Flexible Plus offset mortgage and the added benefits of an initial fixed rate giving an element of payment stability.

We expanded and improved the pricing of our range of longer term products (3 Year plus) to respond to the interest from customers and Government alike in providing customers with more options for greater mortgage payment stability.

CUSTOMER LITERATURE

We carried out a comprehensive, wide scale review in 2007 of our customer literature, with the aim of improving its effectiveness. As a result, Abbey launched a new and improved set of retail product brochures.

The new brochures use images and signposting that are simple and bold. The inside layout is now clearer and easier for customers to follow.

Additional benefits of the review included:

- Reducing the number of customer literature items by 35%
- Saving around £500,000 in print costs in 2008
- Printing all items on 50% recycled stock in 2008
- Consistent branding on all items.

The findings from the review will be applied to all new items and those requiring amendment in 2008, especially in terms of clearly setting out information and highlighting key areas.

TREATING CUSTOMERS FAIRLY

Our emphasis for 2007 was to embed the principle of treating customers fairly (TCF) into our day-to-day activities and ensure that customer considerations remain central to our objectives. We also reviewed our governance structure to ensure TCF was integral to our key decision making forums and as a result, we developed high level management information to reflect key TCF risks. Staff refresher training commenced in 2007 and a TCF module has been built into our induction training for all staff so they are aware of the role they can play in treating our customers fairly.

Our regulator, the Financial Services Authority (FSA), has set new deadlines for 2008 for businesses to be able to assess, through management information, whether they are delivering fair treatment to customers and to be able to demonstrate that they are doing so.

Launch of the Personal Finance Handbook



FINANCIAL INCLUSION AND CAPABILITY

Extending access to banking and other financial services continues to be an important objective for Abbey. We support all three of the Government's priority areas for financial inclusion:

- Basic banking
- Money advice
- Affordable credit

In 2007, Abbey increased its focus on financial capability, in particular, on helping young adults to increase their financial awareness and money management skills. We supported the FSA in the delivery of seven roadshows to cascade information and learning about their Money Doctors programme to money advisers at universities throughout the UK. The events were extremely successful with representatives from 193 universities attending to hear about the experiences of early adopter universities that had already implemented elements of the programme.

In 2007 Abbey also supported the Parliamentary launch of the Personal Finance Handbook. Produced by Child Poverty Action Group and SAFE (Services Against Financial Exclusion) with funding from Abbey, the Handbook is used by money advisers and teachers to support the delivery of financial education and money advice. The event brought together over 200 representatives of organisations working in this field and was addressed by Economic Secretary to the Treasury Kitty Ussher MP.

Basic banking

Abbey is a major provider of basic bank accounts. Basic accounts are an important first account for many people who have not operated a bank account before or who are not confident in managing their money. They offer many of the same benefits as

other current accounts, such as being able to receive and make payments electronically, without the worry of more complex features such as overdrafts. In order to ensure that our customer-facing staff understand the importance of basic accounts and provide great service we have incentives for each new account opening. We also use our own internal mystery shopping to ensure service is consistently high quality.

Money advice

One of the three priorities of Abbey's Charitable Trust is supporting disadvantaged people through financial education and advice that helps them to manage their money. Through the Trust we fund many projects that contribute to increasing

financial inclusion and financial capability. In 2007 Abbey spent over £350,000 on projects in the money advice field. We also developed three-year partnerships with key organisations providing money advice including Citizens Advice.

Affordable credit

2007 was the second year in which Abbey operated its Affordable Credit Fund. This fund supports initiatives run by credit unions, community development finance institutions and other organisations that provide access to relatively small loans at reasonable interest rates. The Fund made donations totalling £150,000 in 2007 and supported five affordable credit projects.

ACCESS TO CREDIT

Small business finance in Liverpool

Abbey supported Train 2000, an innovative enterprise organisation for women, with a donation of £35,000. Train 2000 operates the POWER Loan Fund, a community development finance institution (CDFI), which provides affordable finance for women entering or developing businesses. Abbey's funding enabled a pilot to provide lower level loans (up to £750) to women setting up their own businesses.

Affordable credit in Milton Keynes

Abbey made a donation of £25,000 to support the Haste Project in Milton Keynes. The Haste Project offers housing related support to single people who are homeless or at risk of becoming homeless due to drug or alcohol related issues. Three housing providers, Places for People, Milton Keynes Council and Midsummer Housing Association, make

accommodation available to Haste clients. Abbey's donation funded low interest loans of up to £500 to support Haste clients in purchasing furniture or equipment to help them settle into their new homes.

Loans to secure tenancies in Stockton

Abbey provided £25,000 of funding to Three Rivers Housing Association to establish and run an affordable credit project for clients moving on from St James' House. St James' House is a supported housing scheme for homeless people in Stockton. It provides temporary accommodation until longer-term tenancies can be found. Abbey's donation facilitated the provision of loans at a zero interest rate to provide deposits to enable clients of St James' House to move into secure tenancies.



CUSTOMERS



SOCIAL HOUSING LENDING

Social housing is housing owned and managed by either UK local authorities or not-for-profit organisations, known as Registered Social Landlords (RSLs). Homes are typically available for rent at an affordable price, and efforts are made by the landlords to ensure high standards of building and maintenance and to encourage a sense of community among the tenants.

2007 was another successful year for the Abbey Social Housing Finance team, with new or additional loan facilities provided to 30 RSL customers, thereby increasing total commitments above £7.6 billion. Among these were new loan facilities of £120 million for Greenfields Community Housing, a new RSL established to acquire the housing stock of Braintree District Council.

HELPING SMALL BUSINESSES

Abbey's highly competitive 'Free day-to-day Business Banking' commitment to small businesses continues to be popular. With a generous allowance for free 'paper' transactions and unlimited free electronic transactions (with no time limit or minimum balance requirements) along with a good in-credit interest rate, Abbey customers can focus their energy on growing their business. During 2007, Abbey continued to grow its market share of small business accounts. Our plans for 2008 will see a number of products and service developments, an investment in systems and more people in Abbey dedicated to serving our small business customers.

CUSTOMER SERVICE

Service Quality is one of the five priorities for Abbey. It is only by focusing on the customer at all times and delivering excellent service that we will differentiate

CASE STUDY

Greenfields Community Housing Limited is a brand new housing association based in Essex, with a unique approach to resident involvement. Greenfields is one of the first Community Gateway organisations in the country, meaning that its tenants and leaseholders are truly able to influence decisions that affect them. As well as making up nearly half of the Greenfields Board of Management, there are also many other opportunities for residents to have their say in their homes and communities - including being present on almost all of Greenfields' committees and working groups. Residents are also encouraged to become 'members' of Greenfields.

A key feature of Greenfields is the funds available for community ventures that will benefit both its own residents and others in the district. A Community Housing Investment Partnership fund of £11m has been established with Braintree District Council to be spent on environmental improvements,

regeneration schemes, provision of new housing and other benefits to communities and estates. In addition, Greenfields has an annual £50,000 Community Fund, allowing residents to bid for financial assistance for projects and schemes that they are involved with. Abbey provided the initial funding to establish Greenfields and has supported the community activities through a subsequent donation.



ourselves from the competition and reach our goal of being the best commercial bank in the UK.

Satisfied customers buy more products, stay longer and recommend us to their family and friends. So, by improving service quality, we will also help deliver our other priorities of customer loyalty and efficiency.

Excellence in service quality remains a key area of focus for Abbey. In 2007, Abbey expanded its service quality improvement programme across all customer-facing

areas of the bank, including monitoring a wider range of service measures. We continued to obtain customer feedback, with around 250,000 customers being surveyed to identify how satisfied they were with their branch or call centre. Our intermediary partners were also surveyed to gather their views of the service provided by Abbey.

A focus on customer service has led to actions including introducing new internal measures of customer service (Target 100) enabling recognition and reward for delivering excellent service. Service Quality is a

EXCELLENCE IN SERVICE QUALITY REMAINS A KEY AREA OF FOCUS FOR ABBEY

key priority for senior management and service measures are reviewed weekly enabling faster decision making and tracking.

In December 2007, the inaugural Service Quality Annual Awards Event was held in London. Hosted by our Chairman, Lord Burns, employees from all parts of Abbey attended the event, which recognised outstanding customer service.

In 2008, Abbey will capitalise on the new systems, processes and focus on service to deliver significant improvements in customer satisfaction.

Customer Satisfaction (% satisfied customers)

2007	2006	2005
60.7%	61.4%	62.4%

MANAGING COMPLAINTS

Abbey's vision for managing complaints is to actively seek and effectively manage feedback.

The Complaints department is actively engaged in identifying trends, examining root causes and complaints prevention. An example of this was the Probate & Bereavement process, where an increase in complaints resulted in a company wide review of the process, reducing complaint volumes substantially, and improving the customer experience.

Due to the continued media attention and the publicity surrounding an investigation by the Office of Fair Trading (OFT), bank charge related complaints increased substantially during 2007, until the announcement of the "test case" in July 2007, when the majority of new and existing complaints were placed on hold pending the outcome of the case.

Abbey recorded a decrease in the number of escalated complaints received in 2007, (excluding complaints relating to unauthorised overdraft charges) due to a significant reduction in the volume of mortgage endowment complaints.

Total complaints

2007	2006	2005
26,576	56,881	48,089

Complaints by type

Type	2007	2006	2005
Banking	11%	3%	3%
Loans	18%	4%	2%
Investments	67%	91%	94%
Cards	2%	0%	0%
Insurance	2%	1%	1%
Other	0%	1%	0%

Unauthorised overdraft charges

In July 2007, seven banks, including Abbey, and a building society commenced a test case in the High Court to determine the legality and fairness of unauthorised overdraft charges. This case is called a test case because the decision will clarify the law in this area and is likely to apply to all current and new claims against current account providers about unauthorised overdraft charges. Until the final outcome of the test case, the situation regarding how Abbey handles customers' claims and complaints about unauthorised overdraft charges will remain unchanged unless circumstances change.

In keeping with the agreement with the OFT and FSA, Abbey will make sure that customers are updated when there are any significant developments in the test case. Like most banks and building societies, we

will not be dealing with or resolving customer complaints on unauthorised overdraft charges while the test case is running (except in limited and specific circumstances).

The trial of the preliminary issues of legal principle took place in January and February 2008 and on 24 April 2008 the Court issued its judgment on this first stage of the test case. Further Court hearings will be required before the test case process is concluded. Concurrently, the OFT is conducting a market study into personal current accounts pricing which is due to be published shortly.



EMPLOYEES

LISTENING TO OUR EMPLOYEES

EMPLOYEE OPINION SURVEY

In 2007 our Employee Opinion Survey (EOS) was available on-line for the first time and had a positive response with 72% of employees letting us know what they think about Abbey. Overall, employees feel Abbey has become a more rewarding place to work in the past year, have greater confidence in our senior leaders and Abbey's future, and believe that we are on our way to becoming a leader in the industry.

In response to employee feedback in the 2006 EOS, 'Stars Ideas' was launched in September 2007. This is a suggestion scheme that enables an employee to submit an idea, which they believe will deliver tangible business benefits - and which is aligned to one of Abbey's five key themes of Efficiency, Service Quality, Customer Loyalty, Teamwork and Meritocracy.

During the year, the Executive Committee team members championed workstreams in areas where we need to deliver improvements, reflecting the priority Abbey places on responding to employee concerns and suggestions. In 2008, this approach will be extended and will be supported by 90 of our senior leaders. Together, they will be taking personal responsibility for delivering improvements and the workstreams have been expanded to encompass five key areas: delivering for customers, making Abbey a more rewarding place to work, senior leadership impact, communications and working together.

POLICIES REVIEW

We reviewed and updated our disciplinary, probation and capability policies/guidelines during the year in order to provide our managers with greater clarity and a logical framework to guide them through each

process. All of the changes were agreed with Abbey's recognised trade union, Advance, and they will be published in early 2008.

Employee Handbook

The Employee Handbook underwent a comprehensive review during the year and was re-issued in February 2008. The new version reflects the changes made to some of our contractual HR policies, the re-brand of our recognised trade union, from ANGU to Advance, and updates the corporate content - highlighting Santander key achievements such as the ABN Amro acquisition. Advance was fully consulted on the changes.

EQUALITY & DIVERSITY

In order to establish a diverse workforce that reflects our customers, key priorities for 2007 were identified as leadership awareness/diversity training and benchmarking/auditing/workforce profiling. To help us achieve this, a dedicated Diversity Manager was appointed in May 2007.

Diversity training

Abbey's executive team believes that senior leaders should demonstrate diversity awareness and act as role models for others in the organisation. To support this, senior leaders attended mandatory face-to-face diversity awareness training during December 2007 and early 2008.

In addition, an e-learning programme will be rolled out across Abbey in 2008. This training, which will be for all employees, will be mandatory and there will be a requirement to undertake it annually.

Responding to employees

We introduced 'rooms for quiet contemplation' in 2007 in response to

employee requests and will be rolling these out during 2008 to the majority of our head office buildings. These rooms will be quiet spaces which employees of any faith, or none, can use for quiet contemplation or prayer.

BENCHMARKING

Equal Pay Audit

Abbey salaries are positioned around the median levels for the industry sector. However, it is important that we understand and, if necessary, address any inequity amongst employees. In late 2007 we carried out an in-depth Equal Pay Audit, in line with the approach recommended in the Equal Opportunities Commission's Code of Practice on Equal Pay (now part of the Equality and Human Rights Commission) and the findings will be shared with our recognised trade union, Advance, early in 2008.

EXTERNAL PARTNERSHIPS

Inter-Retail Bank Network

During 2007, Abbey was the driving force behind setting up a new inter-retail bank diversity network in the UK. This forum, which meets quarterly, provides members of the group with a platform to debate key issues and share best practice in the retail banking sector.

Opportunity Now

Abbey is a Corporate Champion member of Opportunity Now, a campaign to recognise and support gender equality. The programme encourages employers to measure their achievements, continually improve their progress towards gender equality and diversity in the workplace, and recognises best practice. In 2008 Abbey will be sponsoring the Opportunity Now Annual Dinner and Awards. A new Abbey award was created in 2007 -

Launch of the inter-retail bank network



'Inspiring the Workforce of the Future'. This will be given to the employer who has demonstrated their work with an education establishment to inspire girls and young women to consider different career paths and aspirations.

Employers' Forum on Disability

Abbey is a Gold Card member of the Employers Forum on Disability, a leading organisation focused on disability as it affects business. In 2007 Abbey's Banking Operations team in Bradford won an RNID (Royal National Institute of the Deaf) Community Award recognising the team's effectiveness in supporting deaf employees.

Abbey continues its membership of a number of other diversity organisations including:

- The Employers' Forum on Age
- Race for Opportunity
- Stonewall

In late 2007, Abbey received the results of the Opportunity Now and Employers' Forum on Disability benchmarking surveys. These results will be analysed and used to develop a diversity action plan for the next three years.



EMPLOYEE DATA

	2007		2006	
Total employees¹	16,360		16,395	
Total female employees	10,658	65%	10,913	67%
Total male employees	5,701	35%	5,482	33%
<hr/>				
Total full-time employees	13,727	84%	13,558	83%
Total part-time employees	2,633	16%	2,837	17%
<hr/>				
Total ethnic minority employees ²	1,180	7%	1,151	7%
Total employees aged over 50	1,884	12%	1,645	10%
Average length of service for all employees (years) ³	6.93		7.35	
<hr/>				
Average days absent per employee	6.5		6	
Average employee turnover (%)	23		24	
Total staff grievances (at final stage) ⁴	56		39	

1. Total number of Abbey, Group companies UK employees and Abbey overseas employees, at 31 December 2007, on a full-time equivalent basis. Male/female, full-time/part-time and 50+ breakdowns use an assumption for 160 overseas-based employees, as profile data is not available. All other data does not include the overseas employees.

2. Based on c. 9,000 employees who complete the self-declaration option on profile monitoring forms.

3. Based on headcount average of 18,163 employees. Data for 2006 recalculated accordingly.

4. Includes final stage and post employment grievances and appeals.



EMPLOYEES

MANAGING AND DEVELOPING OUR PEOPLE

RESOURCING

Our aim is to recruit and retain talented individuals to help achieve our goal of being the best commercial bank in the UK. We aim to do this through defining and communicating a clear employment proposition, providing an efficient candidate experience and employing fair recruitment practices. In 2007 Abbey re-launched a Graduate Programme and developed a pilot programme for school leavers.

PERFORMANCE MANAGEMENT

Abbey's performance management process is designed to champion a high performing culture of meritocracy that can identify differences in performance and support managers in effectively managing their people.

To ensure that performance management remains a top priority we recruited a team to support these objectives in 2007, including an individual to manage the process and an analyst to evaluate it.

The team will be involved in developing a new performance management program in Abbey in 2008. This new process will align more closely with the Santander model, and will enable employees to clearly see how their individual objectives contribute to the overall success of Abbey.

LEARNING/TALENT MANAGEMENT

During 2007 Abbey continued to provide the 'Your Development at Abbey' curriculum (launched in 2006). This consists of seven comprehensive programmes aimed at different levels of staff. The primary package is an induction

programme that provides a consistent and informative welcome to Abbey and Santander. A 'Personal Effectiveness Skills' programme provides a series of courses that are available as 'e-learning' and covers themes such as communications, personal impact, finding solutions and personal organisation.

For middle managers, there is a dedicated programme to help develop operational management knowledge and skills through both face-to-face training and distance learning modules. During 2007 this programme delivered nearly 900 delegate days. A senior manager programme was launched in 2007 aimed at those employees who are involved in managing complex operations, strategic implementation and business finance.

We updated the e-learning 'Essentials of People Management' modules to reflect the revised policies. In addition, we rolled out chairperson accreditation training - a skills-based training programme supporting managers who chair stage three hearings in relation to conduct, capability and grievances. We also issued chairperson information packs for all levels of hearings.

Abbey introduced the Corporate Schools Model of training in 2007 and we have increased development and training activities with the first of these, the Abbey School of Risk. We will be developing more Schools in 2008.

COMMUNICATION & CONSULTATION

Abbey believes effective communication is key in order to ensure teams are fully engaged and motivated, and understand their role in helping to deliver our strategy.

We use a range of communication channels to keep employees fully informed of news and developments in the company. Our primary channel is the intranet, providing stories from across the Santander group as well as Abbey-specific news. The intranet contains role-based sections, where employees can find out the information they need to do their jobs effectively.

We also issue an Abbey-wide bi-monthly magazine giving employees a detailed background and understanding of the company, its strategy and its people.

LEARNING

	2007	2006
Total number of training days ¹	124,614	130,685
Average number of training days per employee ²	8.00	7.22
Average £ invested in training per employee ³	£568	£507

1. Total amount of training undertaken by Abbey staff (classroom-based, e-learning, paper-based)

2. Based on 'delegate days' and average of month-end Abbey FTE

3. Based on total Learning budget spend and average of month-end Abbey FTE



Santander is You corporate communications campaign

Abbey Convention

In January 2007, we introduced the first Abbey Convention, which saw around 2,000 branch and operational managers attend a conference at Olympia. Attendees were shown the goals and vision for 2007 and beyond, and heard directly from the executive team and senior directors at Santander and Abbey.

The five Abbey themes - service quality, efficiency, customer loyalty, teamwork and meritocracy - formed the basis for many of the speeches during the day. Every delegate at the Convention was given a communications pack to help them brief their teams afterwards.

The Abbey Convention was held again in 2008 and will be held on an annual basis. It is a crucial communications tool, ensuring the whole organisation is focused on heading towards the same goals.

Santander is You

In 2007, 'Santander is You', a group-wide initiative to celebrate the 150th anniversary, was launched to acknowledge the effort and dedication of all employees, help spread the company's values, as well as recognise the benefits of working for a successful global company.

WORKING IN PARTNERSHIP

Successful partnerships with all our stakeholders are critical to Abbey achieving its goals. A key part of this is maintaining and developing strong relationships with our trade union colleagues, through the building of trust and respect and creating an environment where positive employee relations can flourish.

During 2007, the Abbey National Group Union, the only trade union recognised by Abbey to represent the views and interests of employees below director group, changed its name to Advance and the relationship that has been in place since

1976 has continued to grow stronger. Advance is affiliated to the Trades Union Congress (TUC) and remains independent.

We work in partnership with Advance which means we work jointly and collaboratively on a wide range of issues to make Abbey a more rewarding place to work. Advance's vision is to improve the working lives of their members in partnership with Abbey by giving members a voice. Advance ensured employees views and opinions were communicated to managers through regular committee meetings at a divisional and strategic level throughout the year.



António Horta-Osório meeting with Advance General Secretary, Linda Rolph.

HEALTH AND SAFETY

We believe our people are our most valuable asset and healthy employees working in a safe environment enhance our business and help achieve our objectives. Making sure this happens is not only good business practice; it's a positive investment in protecting our people.

In 2007 Abbey's Chief Executive re-signed a written statement committing Abbey to the achievement of high standards of health and safety. This was issued to line managers and employees across the business in April 2007.

In line with Health and Safety Executive (HSE) advice, we nominated an Executive Director to take overall responsibility for managing application of our health and safety policy across Abbey. Members of the Human Resources Strategic Committee (HRSC) will receive detailed quarterly reports in 2008 summarising our safety performance for the period and highlighting key areas for improvement.

SAFETY AT WORK

Our Health and Safety Management System (HSMS) was completed in 2007

and now provides managers and employees with the guidelines, standards and procedures they need to manage safety effectively within Abbey buildings.

A fundamental part of our HSMS is a series of risk assessment pro-forma that managers complete to make sure they've identified and controlled important health and safety risks. Following the successful rollout of our HSMS in the branch network in 2006 the system was implemented in Retail Distribution, Manufacturing, Marketing, Brand and Customer Relationships and Retail Risk in 2007.



EMPLOYEES

Health and safety training

In 2007 we developed a comprehensive training programme. Senior executives received face-to-face briefings about their responsibilities and line managers, who are expected to implement the HSMS, completed an e-learning foundation course. All employees have access to three e-learning courses covering fire safety, lifting and display screen equipment.

Coaching and support

Abbey employs three qualified Regional Safety and Health Consultants (RSHCs) to help managers implement the HSMS. They provide telephone and on-site coaching and support, making sure managers understand the system. They also help managers complete the required risk assessments.

Health and safety auditing

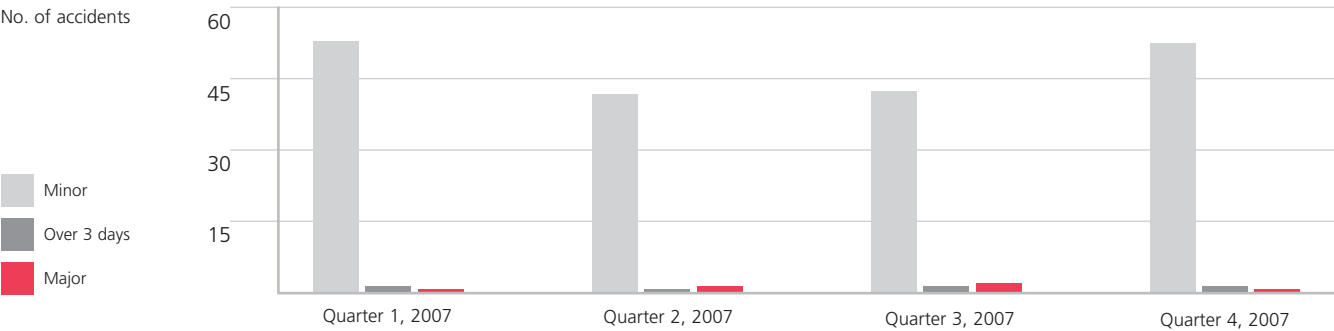
Our RSHCs carry out a programme of formal audits to make sure managers have implemented the HSMS and that Abbey is meeting its legal obligations.

Accident statistics

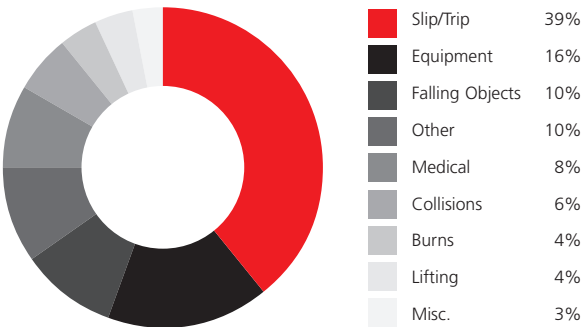
Accidents are divided into three categories determined by severity of injury using criteria set down by the HSE. The categories are: accidents resulting in up to three days absence (minor injuries), those resulting in over three days absence and accidents that have resulted in major injuries such as fractures and dislocations.

In 2007 there were 192 minor accidents, seven over three-day accidents and seven major accidents. This represents a good health and safety performance for a business employing over 16,000 staff within nearly 750 premises.

ACCIDENT SEVERITY



ACCIDENTS BY CAUSE



ACCIDENT DATA

	2007	2006
Total number of accidents	206	209
Total number of accidents reported to enforcement authorities	14	12

OUR ONLINE HEALTH WISE TOOL HELPS EMPLOYEES ACCESS A RANGE OF INFORMATION ON WELL-BEING

OCCUPATIONAL HEALTH

Our occupational health strategy is to identify the range of health risks that may affect employees and to make sure they are effectively managed at the point of generation.

During 2007 we completed a review of our first aid provision across the business and we renewed our contract for first aid training with St John Ambulance, the leading UK provider.

Managing sickness absence

During 2007, we completed a comprehensive review of sickness absence in Abbey and in 2008 we will be working to provide staff, who are on long-term sick leave, with additional help and support.

Pre-employment medical screening

Abbey is committed to reducing its sickness absence rate and this begins by recruiting healthy employees. We ask all new employees, regardless of their grade, to complete a standard pre-employment medical questionnaire.

This establishes their health status and provides us with valuable information about any existing health conditions that they may have. Where required we carry out on-site workplace assessments to identify any reasonable adjustments we need to make.

Musculo-skeletal disorders

HSE has confirmed that musculo-skeletal disorders are one of the top three causes of occupational injury and ill health across the UK. New, ergonomic workstations are being installed across the branch network as part of the refurbishment programme and in 2007 we replaced traditional counters in 340 branches across the UK.

New legislation on smoking

In July 2007 new legislation was introduced effectively banning smoking in any enclosed public space, including

workplaces. Abbey has operated a no smoking policy in its buildings for many years but we used the UK wide ban to review smoking immediately outside our buildings.

We are now running a pilot scheme in our Milton Keynes office where employees are asked to use a designated smoking point. Early results are encouraging and we plan to rollout the use of designated smoking points in 2008.

EMPLOYEE WELL-BEING

We know that protecting and promoting the health and well-being of our people is important and in 2007 we continued our active participation with the 'Business Action on Health' campaign. Working with experienced practitioners from a range of industries helped us develop a strategy which sets out the key elements for an integrated approach to employee well-being. We also updated our website so that everyone can access a range of information promoting general health and well-being. And we negotiated free places for employees on the Government-funded Health for Life distance-learning course that teaches staff about their health.

Abbey Gyms

Abbey maintains gyms in three main office sites. During 2007 we asked staff to make a small monthly contribution to their maintenance. Membership has increased steadily and now exceeds 600 each month and the contributions have allowed us to re-invest in a significant amount of new equipment within all three gyms.

Work-related stress

We know that pressure at work is an increasing part of everyone's life. During 2007 we continued to promote the availability of guidelines for managers and staff on managing pressure. Managers now have access to an e-learning course on managing stress and can call on one of

our RSHCs when they need help in completing a formal stress risk assessment or implementing proactive measures.

Employee assistance

Abbey provides all staff, and immediate members of their family, with direct access to a free and confidential Employee Assistance Programme (EAP). This includes a telephone help line that is available 24/7 and access to face-to-face counselling in appropriate cases.

LOOKING AHEAD TO 2008

Safety at work

- Continue to roll out the HSMS achieving full compliance by the end of 2008.
- Audit a further 10% of the branch network to ensure high standards of health and safety are maintained.
- Review the property HSMS and carry out a further audit to make sure the high standards of property safety management achieved in 2007 continue.
- Prepare new guidelines on safe working in call centres and issue these to managers and employees.

Occupational Health

- Develop the level of support we provide staff on long-term sick leave.
- Review existing arrangements for disability assessment and support.
- Further develop "Health Wise", our computer-based lifestyle assessment tool.

Employee Well-being

- In 2008, we will manage the implementation of the well-being strategy.



COMMUNITIES

Our strategy for 2007 was to encourage the active involvement of our branch network in supporting local charities and to develop a number of three-year funding partnerships.

We committed to increase the role of branches in helping their local communities and the table below clearly illustrates we were successful in doing this with over £356,000 donated via our retail network.

This was primarily achieved by linking our community activity to Santander's 150th anniversary celebrations which took place in 2007. Abbey branches were asked to nominate local charities in their area that would benefit from a donation and as a result 150 grants of up to £2,500 were distributed across the UK.

Our second priority was to introduce a three-year grants programme. Abbey Charitable Trust was able to develop partnerships with five charities giving

£150,000 over three years to each one. Recognising that demand for this funding would be high it was decided to adopt a proactive strategy and seek out projects where this level of funding would have a significant impact. Three of these grants are helping people throughout the UK while the remaining two are to fund initiatives which deliver at a local level.

LONG-TERM PARTNERSHIPS

The Princess Royal Trust for Carers (PRTC)

The two key financial issues for carers are lack of financial skills to manage their money and a lack of income. This is often because carers are not accessing the funding/benefits they are entitled to and

because they may have reduced income through needing to give up work.

With funding from Abbey, PRTC will tackle these issues and provide up to six million carers with access to information and support on financial issues. Thousands of carers each year will be supported to access benefits they're entitled to and the charity expects up to £2 million worth of benefits could be claimed each year as a result of this work.

Shelter

It is estimated that one in seven children in Britain are growing up in bad housing, and thousands of homeless households are stuck in temporary accommodation. Two unique regional Shelter services aim

WHAT WE GAVE



Cash	£2,735,442
Management Costs	£397,538
Goods & Services	£66,689
Total	£3,199,699

CHARITABLE TRUST DATA

	2007	2006
How we gave (£)		
Central donations	562,752	695,976
Matching staff fundraising	592,131	563,397
Community Partnership Groups	740,429	644,250
Local branches	356,525	19,575
Who benefited (£)		
Education	1,045,157	817,709
Community regeneration	331,783	248,401
Financial advice	357,851	390,054
Relief of suffering	375,852	353,765
Other causes	141,194	113,269
Number of donations	1,273	1,532



We use the London Benchmarking Group reporting model to calculate our contributions to good causes. The LBG model provides a standardised way of managing and measuring a company's community involvement.

EMPLOYEE LED COMMUNITY GROUPS AWARDED 95 GRANTS, DONATING OVER £700,000 TO LOCAL CAUSES.

to fill those gaps to give people living in disadvantaged circumstances better access to finding and keeping a decent and secure home.

In Liverpool, Abbey will be funding housing training programmes for a range of community organisations, helping them build a skills base to better support their communities. Training covers housing and homelessness, housing benefit claims, and recognising harassment and illegal eviction.

In East London, the project will help the promotion of the core capacity-building focus of the service among community organisations, as well as the provision of advice workshops at community group events. This will equip organisations to more effectively advise and support their own communities.

Royal Association for Disability and Rehabilitation (RADAR)

With the long-term funding from Abbey, RADAR is producing a series of publications to help disabled people with key issues and "Doing Money Differently" is intended to reduce disabled people's exposure to debt and financial exclusion by improving day-to-day financial literacy and management skills.

RADAR will then set up and pilot a financial advice service for disabled people, to run parallel with and complement the publications. This online and telephone-based facility will be run in conjunction with RADAR's member groups, utilising the existing resources of up to 400 disability organisations.

SPH Housing

"Time Banks" encourage people to make deposits and withdrawals of their time. It is a new way of volunteering, as a participant is both the volunteer and person in need - one hour of one person's

time entitles that person to an hour of someone else's.

SPH Housing is using the Abbey funds to help tackle social exclusion and anti-social behaviour amongst young people in Camden, and to create community capital and cohesion by establishing a Time Bank.

Bradford Community Environment Project

"Habitat Heroes" will actively involve schools in recognising, understanding and linking the biodiversity and natural heritage of the local area to the school grounds. In order to achieve long-term change Habitat Heroes will work closely with 27 schools in the Bradford area to ensure they recognise and take full advantage of the role that natural heritage can play in delivering an exciting and interactive curriculum.

Abbey's donation will help to create "Habitats" in the participating school grounds and ensure they are used and maintained to their full potential.

WORKING WITH COMMUNITIES

Community Partnership Groups covering the seven areas where Abbey has a significant presence continue to be at the heart of our support for local communities. The employee-led groups in Camden, Milton Keynes, Sheffield, Bradford, Teesside, Glasgow and Northern Ireland awarded 95 grants totalling £740,429 in 2007.

Throughout 2008, we will continue to develop these groups and increase their budgets to allow more of our funding to be directed by local Abbey employees.

Valuing our contribution

The total value of the support we provided to charities and the voluntary sector in 2007 was £3,199,669, including

£2,735,442 in cash donations mainly made through our Charitable Trust. This was an increase of 15% on the contribution made in 2006 and primarily consists of the new funding made to the education sector through the Universities programme.

Together, the Trust's three charitable priorities to help disadvantaged people account for 77% of the donations, with education and training continuing to attract the most support. Donations to causes outside these priorities is through the Matched Donation scheme where staff are free to fundraise for any UK charities of their choice.

Measuring success

Each year we gather data on the lasting difference made by our donations. From the 214 surveys sent out in 2007, we received 135 replies. We know that:

- Less than 1% reported only some immediate benefit, 13% rated these impacts as acceptable in line with original objectives, 65% reported them as significant, long-lasting benefits and 21% rated them as exceptional long-lasting benefits.
- The charities had gained a further £973,340 of extra resources as a result of our funding.
- 10,164 school-age children, 12,071 older people, 18,067 disabled people, 6,474 people from ethnic minority groups and 141,685 people from other groups benefited from these donations.



COMMUNITIES



The impact reports that we receive from charities are very valuable and help to improve our understanding of the voluntary and charitable sector. They also demonstrate how effective the sector is in delivering long-term benefit with even modest donations.

Quaker Social Action – £3,000

“Street Cred” is aimed at women who are setting up their own businesses. The grant from Abbey is helping to run business development workshops for women on

low incomes in East London and the charity will be piloting introductory support in personal financial literacy.



Irene Taylor Trust ‘Music in Prisons’ – £7,000

A donation from Abbey allowed The Irene Taylor Trust ‘Music in Prisons’ to work for the first time at Aylesbury Young Offenders’ Institute, delivering a five-day creative music project with 11 young men. Many of the young people come from backgrounds of extreme poverty and social exclusion and the Trust’s projects are designed to inspire and engage them in positive opportunities away from crime.

TIME FOR THE COMMUNITY

2007 was a significant one for Abbey in terms of volunteering. Prior to last year, less than 1% of staff participated in small, bespoke schemes and the challenge was to raise the profile of volunteering within Abbey and increase participation. An Abbey-wide initiative was introduced called ACE, with the aim of exposing more staff to the concept of community work.

Abbey Community Events (ACE)

ACE launched in June 2007 and teams were encouraged to spend a day out of the office with a charity or community organisation. Over 400 employees from seven regions participated and contributed over 2,100 hours of time to the community. Almost 30 charity projects were supported with activities ranging from painting rooms, creating gardens and helping students with interview skills.

Scope, Milton Keynes

Scope supports people with disabilities and had originally approached Abbey Charitable Trust for funding to create an outside learning and recreation area for

their users. As well as providing a £13,000 donation, over 30 volunteers spent two days creating the area, which meant the charity saved money on labour and were able to use more of the donation on materials to benefit their users. Helen Beaurain, from Abbey, who organised the project said, “The two days went very well and feedback from the charity has been excellent. We enjoyed it so much that some of the staff have been in contact with the charity to do more volunteering work outside of this event.”

Walton High School, Milton Keynes

This one-day event enabled staff from various departments to work together with an organisation called Young Enterprise, to create an intense one-day learning experience for 15-16 year old students, in preparation for applying for jobs and university places. Denise Elliott, B&E Link Manager for the school said, “The day was a complete success. The pace and the Abbey volunteers were great and the combination resulted in our students being engaged at all times. It was

a pleasure to facilitate such powerful learning.”

Marie Curie Hospice, Belfast

Over 20 people from Abbey’s Mays Meadow head office site helped plant and weed the hospice garden and painted benches for the patients. Some of the employees involved have subsequently pledged to volunteer on an on-going basis.

Regent’s Park Day Care Centre, London

A group from the Abbey Insurance department painted a mural on the playground wall of this children’s pre-school centre. The centre is in a deprived area of Camden and caters for children of all abilities and cultures.

Reidvale Adventure Playground, Glasgow

This charity offers after-school care to both disabled and able-bodied children and operates in a deprived area of the city. The Abbey volunteers helped to brighten up the football pitch by painting the walls surrounding the area.



Top row from left to right: Alan Markin, Claire Diccico, Jean Weir and Lorna Fagan

Bottom row from left to right: Rachel Blair, Ruth McPartlan, Carol Jane and the Internal Audit Team

Following the success of ACE, we intend to continue this initiative each year, with the aim of increasing the number of staff that participate and the number of charities and community organisations that benefit from this volunteering scheme.

RAISING FUNDS

Abbey employees participated in various fundraising events throughout 2007, supporting charities through both the branch network and head office sites. Over £15,000 was raised for Marie Curie Cancer Care throughout the year and Doughnut Days were hosted in Milton Keynes and London to support Macmillan's Coffee Morning in September, helping to raise over £13,000. Branches across the country organised a Big Breakfast event for Cancer Research UK in June as part of the ACE initiative and, along with other fundraising activities including Race for Life, Abbey employees contributed nearly £80,000 to the charity.

We offer a matched donation scheme for employees organising fundraising for UK-registered charities and in 2007 over £592,000 was matched by Abbey; together with staff over £1million was donated to good causes. One group, from Marketing and Risk, that took advantage of the scheme raised over £8,000 for the Prostate Cancer Charity by growing moustaches for one month.

ABBEY PEOPLE AWARD

Our involvement with community and charity organisations can only happen with the support and enthusiasm of our employees. Every year Abbey recognises individuals that have made a significant contribution to the community. In 2007, there were seven individuals who received the Abbey People Award, and for the first time, we introduced a team award. The

winners were presented with a £1,000 donation to a charity of their choice by Executive Director, Nathan Bostock, and attended a recognition lunch.

Alan Markin

Alan was key to organising two ACE events in Sheffield. He recruited two teams to participate in volunteering days, one with Heeley City Farm and the other with Sheffield Botanical Gardens. He has also chaired the Abbey Sheffield Community Partnership Group for the past seven years, which supports local Sheffield charities.

Claire Diccico

Claire has been fostering children for over three years and has had eight children on a full-time basis plus 13 on respite placements. She has proved invaluable to Middlesbrough Social Services, often taking on children at short notice and providing a stable and caring environment.

Jean Weir

Jean has been doing community work for over 18 years by running a Girl Guide unit in Luton. She devotes her time to organising events and camping trips for the girls and has raised money for charity with the troop.

Lorna Fagan

Lorna supports the Chernobyl Children's Life Line by providing month-long respite care for children suffering from the effects of the Chernobyl disaster. She has done this for the past three years and provides a healthy, fun environment for the children.

Rachel Blair

Rachel was the main organiser of two volunteering days in Belfast. She and a team of employees helped conservation charity Colin Glen to clear land and build bird and bat boxes for local wildlife and carried out gardening activities for the local Marie Curie Hospice.

Ruth McPartlan

Ruth has been involved with the British Heart Foundation for three years. She ran the London Marathon in 2006 and 2007 raising over £3,000. She is key in organising fundraising activities at Abbey's Milton Keynes office.

Carol Jane

Carol has supported Cancer Research UK for the past 20 years and is a fundraiser for many other charities. She has taken part in sponsored swims in the sea on Christmas Day and the Midnight Moonwalk in aid of cancer charities.

Internal Audit

The team chose Whizz-Kidz as their charity of the year and held numerous fundraising events to raise money to purchase vital equipment for disabled children. Nine employees took part in the London Marathon, with others volunteering in a training day to support children using the mobility equipment. Their efforts raised over £30,000 for the charity.

2008 PLANS

2007 was an impressive year for Abbey fundraisers and volunteers. ACE enabled a large number of employees to experience volunteering first-hand and get to know the communities where they live and work. This has led to some of the teams deepening the relationship with their local charities and providing on-going support. We aim to build on this goodwill and in 2008 encourage more employees to participate and share their skills and talents with good causes.

SANTANDER UNIVERSITIES

Santander believes that investing in higher education and research is the most powerful means of promoting the development and prosperity of society. As a result, the 'Santander Universities' scheme was launched in 1996 as the cornerstone of the Group's CSR policy.

COMMITMENT TO HIGHER EDUCATION

EXTENDING SUCCESS TO THE UK

In 2007, 'Santander Universities' was launched in the UK with 10 of the country's top universities joining the scheme during the year. The Anglo-Spanish Society and Canning House (Hispanic and Luso Brazilian Council) are also benefiting from the scheme.

These agreements will each run for three years. Through them, Abbey has committed annual funding of £720,000 to provide support for over 200 students and researchers and to enable the universities to develop a variety of projects within the Santander Universities network. Abbey's support is customised to allow each university to develop their educational, research and extra-academic priorities and to maximise the benefits of Santander Universities' global scope.

The purpose is to build long-term partnerships and facilitate international cooperation and exchange between universities – something that is vital in today's global economy. Scholarships and research programmes are carried out between the universities in the different countries, encouraging international mobility of UK students, teachers and staff.

Abbey's intention is to improve and expand the scale of co-operation with higher education institutions in the UK. With eight more partnerships already launched in the first few months of 2008, and additional agreements in advanced stages, the intention is to extend the Santander Universities network to 30 British universities by the end of 2008.

2007 PARTNERSHIPS

- | | |
|--|-----------------------------|
| ■ Cass Business School | ■ Queen Margaret University |
| ■ UCL (University College London) | ■ University of Edinburgh |
| ■ London School of Economics and Political Science | ■ The Open University |
| ■ Oxford Brookes University | ■ University of Leeds |
| ■ University of Bath | ■ University of Oxford |

From left: Lord Burns, Dr John Hood, António Horta-Osório and Professor Steve Nickell.



International co-operation

Santander is promoting universities' growing interest for creating international networks and associations, with the aim of strengthening their ability to exchange knowledge and best practice and to jointly develop educational programmes.

The Santander Universities scholarships programme, which in 2007 provided funds to 12,460 students and staff worldwide, reinforced its support for international mobility with exchange programmes between universities in different Iberoamerican countries within the scheme.

Abbey is ensuring international mobility is key in the development of Santander Universities in the UK. Under the agreements signed in 2007, 160 students and staff will be awarded scholarships, grants or travel research funds. These British universities are now linked to Santander Universities in Spain, Portugal and Latin American countries.



IN 2007, SANTANDER UNIVERSITIES WAS LAUNCHED IN THE UK WITH TEN OF THE UK'S TOP UNIVERSITIES JOINING THE SCHEME

Knowledge transfer

One of the main challenges to industry today is innovation with universities giving priority to research that can be transferred to the manufacturing sector, to the creation of new business enterprises, and to initiatives that foster an entrepreneurial spirit.

In the UK, Santander Universities is supporting a range of activities that promote innovation and entrepreneurial values, including funding awards to outstanding students and projects, and for entrepreneurial teams to develop their business plans in university 'incubators'.

A UNIQUE GLOBAL PROGRAMME

Santander Universities supports the higher education sector in Europe and the Americas in areas such as teaching and research, international cooperation, knowledge and technology transfer, entrepreneurial initiatives, student mobility and innovation. The scheme also encompasses two major global projects:

- **The Miguel de Cervantes Virtual Library**, an internet portal of Hispanic literature with the largest volume of content and number of users in the world.

- **Universia**, the largest online university network, with over 1,000 university partners.

As part of this long-term strategic commitment to higher education, Santander has established agreements with 623 universities in Spain, Portugal, Argentina, Brazil, Chile, Colombia, Mexico, Puerto Rico, Uruguay, Venezuela, Russia, the United States and the UK.

With over £400 million distributed via the programme since 1996, the reach and scale of Santander Universities makes it the world's most extensive initiative set up by any financial institution in support of higher education.

SANTANDER UNIVERSITIES IN FIGURES: 2007

- 623 agreements with universities in Spain, Portugal, Latin America and the UK.
- 2,507 projects promoted to support university initiatives in the fields of technology, finance and institutional improvement.
- 12,270 scholarships and awards granted for study and research.
- £77 million invested in support for higher education.
- 1,056 university partners in the Universia network, with a community of 11 million students and staff in 11 countries.
- 3.1 million smart cards issued in 170 universities with functional and financial features.
- 410 technology projects launched with universities.
- £423 million channelled into higher education since 1996.

SUPPORT AREAS

Teaching

- Scholarships and grants for students from Iberian and Latin American countries to study in the UK and for British students to study overseas.
- Funding of professors, researchers and staff visits and support of teaching programmes.

Research

- Awards for specialised research programmes, academic travel and fieldwork.
- Funding and support to research centres, projects and teams.

Knowledge transfer

- Programmes to put into practice research projects for industrial implementation.

- Creation and support of incubators of universities' businesses.
- Innovation and entrepreneurship awards.

University partnerships

- Venture capital funds.
- Project funding awards.
- University/Industry forums, conferences and seminars.

Universities' internationalisation

- Creation of university networks for co-operation.
- International teaching, research and exchange programmes.
- International students orientation programmes.

Extra-curricular initiatives

- Sponsorships of sports teams, scholarships and awards.
- Awards for excellence in non-academic achievement (enterprise, sports, global citizenship or community work).

Universities Administration / Management

- Smart card implementation.

Financial services

- Special offers for university communities.
- Branches and ATMs in the campuses.



ENVIRONMENT

Abbey's day-to-day business has a direct impact on the environment, primarily through maintaining our branch and head office property portfolio.

The largest areas of impact are in our use of electricity and gas for heating/cooling and lighting, generation of waste and our use of resources such as paper.

In 2007, Abbey's branch network remained fairly static ending the year at 704 sites but a process of rationalisation in the number of head office buildings has reduced the floor area the business occupies. Two major buildings have been closed with a third reducing its occupation. The staff from these locations have been relocated into the remaining building maximising occupation. Together this has resulted in:

- A reduction in Abbey's environmental footprint.
- More effective use of Abbey's core buildings where effort and resource can be focused to minimise their environmental impact.

ENVIRONMENTAL OVERSIGHT

The Abbey Environmental Management System (EMS) provides a framework for defining responsibilities and processes. The EMS was subject to review in the latter part of 2007 and the recommendations are being evaluated for adoption in 2008.

WASTE

The amount of waste produced by Abbey increased in 2007, largely due to the inclusion of 'Records Management' destruction figures which had not been captured in previous years. However, we maintained a recycling rate of 78% of the measured waste we produced.

A structured recycling policy was introduced across the Head Office estate in 2007. This saw the removal of individual desk bins and collection of different waste types at central points within each building.

The programme commenced in the latter part of the year and although some cross contamination occurred in the early days of the programme staff have become more accustomed to the new methods of waste removal. The true benefits of the new recycling policy will be seen in 2008, as staff become more used to sorting their waste.

WATER

Water consumption decreased by 3.5% between 2006 and 2007 based on like-for-like comparisons. We are now able to exclude the water used by tenants in our Glasgow building which gives a more accurate reflection of Abbey's usage.

SERVICES

	2007	2006	2005
Waste (tonnes)			
Waste collected	4,646	4,038	N/A
Waste recycled	3,627	3,197	3,449
Water (m³)	196,710	238,998	247,902
Energy			
Electricity (MWh)	135,770	152,465	158,505
Gas (MWh)	28,554	34,205	38,875
Total energy use by buildings (MWh)	164,324	186,670	197,380
% from renewable sources	10.8	9.8	10
% Combined Heat & Power	12.4	26	8.1
Total FTE	16,200	16,218	20,642
Total energy use by FTE	10.1	11.5	9.6

- As with utilities data reported in previous years, the 2007 data is based on supplier billing received for Abbey properties, with adjustments to account for billing reconciliations for previous October-December estimates. End of year utilities data is sometimes estimated using 2006 and 2007 data for gas consumption and 3-month average data for electricity and water consumption. 1.5% of branches do not report electricity use directly as it is included in the rent or service charge for leased premises.
- Water usage is not recorded for 20% of branches, as that is included in the rent or service charge.
- General waste data (e.g. kitchen waste, etc.) is not available for the majority of branches, as this is collected by local arrangements.

78% OF THE WASTE PRODUCED ACROSS ABBEY'S PROPERTY PORTFOLIO IS RECYCLED.

ENERGY

Investment was made in both the branch network and office buildings during 2007 to continue to improve management of energy. As a result, the year saw a decrease in gas and electricity consumption of 4% across the property portfolio as a whole, with the majority of the reduction from head offices.

Branch energy management

The Retail Energy Team continued to drive forward energy reduction initiatives throughout the branch network. They identified and implemented a range of technical solutions and business initiatives, supported by facilities management contractors and branch energy champions:

- Continuation of the 'Switch it Off' campaign with messages delivered by facilities manager branch visits, Intranet and email communications
- Further encouragement of the branch energy champions using their own energy saving checklists
- 101 branches were fitted with new HVAC systems with energy efficient controls
- 125 branches have new energy efficient lighting schemes and controls
- Planned maintenance visits that are specifically designed to reduce wasted energy continued pre and post summer
- Energy surveys carried out regularly in each branch to identify and prioritise where measures are most required.

The 2006 trial of 'smart box' technology was finalised in 2007 and an agreement to install this technology into all branches was signed with GS Hall Energy & Controls. This market-leading technology will allow greater web-based control of a range of systems

and enable more efficient measuring and monitoring of energy consumption in individual buildings. A rollout programme to install a smart box into all branches commenced in October 2007 with over 200 installed by the year-end. This is due to be completed by June 2008.

Main office initiatives

An "Environmental Champions" scheme was introduced in the main head office locations in 2007. This saw employees with a keen interest in environmental issues volunteering to help support local 'green' initiatives. The champions provided an effective means of promoting the Switch it Off campaign at a local level and this continues to be one of the key drivers for the reduced consumption in Abbey's buildings.

Other initiatives and works have included:

- Installation of high efficiency boilers in two sites, one of which is supplemented by the installation of solar panels supporting the heating of water
- Chillers were replaced at six main office locations. Their installation not only replaced the units using R22 refrigerants but also allows Abbey to benefit from modern energy efficient technology. A saving on energy consumption is anticipated
- The lighting control system at our Triton Square head office was re-commissioned helping to reduce energy consumption
- Fine tuning of the building management systems in key locations.

ENVIRONMENT CHAMPION



As an Environment Champion, Michael Lovelace volunteered to help create awareness within the Milton Keynes head office where he works on how to reduce, re-use and recycle.

Michael promoted new initiatives via posters supplied by the Services team and has taken statistics from the information packs sent to each of the Champions to highlight how easy it is to reduce emissions and help to recycle more using the new bins.

Michael also regularly emails colleagues to keep awareness high and to remind them to switch off their PCs and printers. In addition he keeps his team up to date on the impact they can have in reducing emissions and how even just one person can make an overall difference.

"Seeing reports about how we are destroying our planet really made me realise that we've got to act now. I have always been conscious about recycling at home but being an Environment Champion allows me to also do my bit at work.

"I enjoy the work and think the initiative is great as it sets the foundations through education to take bigger steps to reduce our energy use and contribute to the environment."



ENVIRONMENT

Renewables

Renewable energy continues to be provided at Triton Square, Abbey's head office in London, and was also provided for the latter part of the year to the branch network in Northern Ireland. We are committed to continuing to identify sources of renewable energy wherever feasible and cost effective to do so.

During 2007, we reviewed the contract to supply our office vending machines and as a result we introduced a new vending supplier in early 2008 which has a fleet of energy efficient machines. These will reduce energy consumption in our main office buildings as the equipment has the ability to power down when not in use. In addition, the vending machines will be stocked with a new range of fair trade products.

EMISSIONS

The programme of replacing air conditioning units in the branch network will continue until 2010 and will ensure that we meet our target of eliminating Hydrochlorofluorocarbons (HCFCs) from Abbey buildings. The programme for office buildings began in 2007.

The use of electricity from Combined Heat & Power sources (CHP) decreased in 2007 from the previous levels of 26% to 12.4% through a change in supplier for the office portfolio.

However, from 1 November 2007, all main office sites and branches (with the exception of Belfast head office site and those supplied by renewables) have been supplied with electricity from CHP. Our supplier, Scottish & Southern Electric, is the UK's largest generator of electricity from renewable sources, and by providing us with good quality CHP electricity, our emissions will reduce significantly in 2008.

As we reduce the number of people working for Abbey there is an inevitable time lag between consolidating employees into retained buildings and disposing of vacant buildings; during that period there is a requirement to continue to provide services to part or wholly vacant buildings.

The position will be monitored to determine whether, as Abbey reduces the buildings it occupies to match its reduction in staff numbers, the CO² emitted also falls. Using current values the amount of carbon dioxide emitted per employee increased from 3.95 tonnes in 2006 to 4.14 in 2007.

In June 2007 the Department for Environment, Food and Rural Affairs (Defra) issued new guidelines on emission calculation values. On this basis of calculation the emission volumes have increased but on a like-for-like calculation the amount released for gas and electricity would have decreased by 3.5%.

EMISSIONS DATA

	2007	2006	2005
CO² from energy use (tonnes)			
CO ² released	67,049	64,219	67,082
CO² released per FTE	4.14	3.95	3.25

• Emissions are calculated using conversion factors in the Defra guidelines for greenhouse gas reporting (2007).
 • Figures for carbon dioxide released from energy use cover almost all of our commercial property portfolio in the UK, accounting for over 98% of our full time equivalent employees.
 • FTE number used is 16,200. This excludes 160 overseas employees as environmental reporting does not cover the three offices where these employees are based.



FOR EACH GREEN LOAN TAKEN OUT FIVE TREES WERE PLANTED IN THE UK



BUSINESS TRAVEL

	Business travel (km)		CO ² from business travel (tonnes)	
	2007	2006	2007	2006
Air travel - domestic	7,587,568	3,757,584	1,078	534
Air travel - short haul Europe	7,548,082	7,525,503	1,300	1,296
Air travel - long haul International	3,201,654	1,700,909	369	196
Car	22,853,010	22,289,291	4,941	4,819
Rail	9,969,274	8,906,171	600	536
CO ² from business travel			8,288	7,381
Total CO² released per FTE			1.97	2.22

- Figures for emissions cover 100% of our employees. FTE number used is 16,360 and 16,395 for 2007 and 2006 respectively.
- Emissions are calculated using conversion factors in the Defra guidelines for greenhouse gas reporting (2007). 2006 data recalculated to reflect new guidelines.

BUSINESS TRAVEL

Our impact on the environment due to business travel is relatively low and is mainly comprised of commuter journeys by car, due to the UK-wide geographical spread of our branch network.

Whilst car journeys have remained fairly static, the largest increase in business mileage has been seen from air travel. This is the result of the ongoing integration of Abbey into Santander – a reflection of the change in Abbey's business model from being a UK-based company to one which is part of a global financial group. This has seen increasing numbers of employees travelling to North and South America as well as to Spain.

GREEN LOAN

We launched a new 'green' loan in 2007 for people who are interested in environmental initiatives, for instance, by adapting their home or driving a more energy efficient car. The loan was no more expensive than the normal loan rate but had the added benefit of a free home

energy efficiency test (provided by the Energy Saving Trust). For each loan taken out five trees were planted in the UK via Tree Appeal.

The purpose of the loan was to advise customers that Abbey is able to lend money for green goods, and in effect reward them for doing their bit for the environment.

COMMITMENTS FOR 2008

Abbey will continue to pursue its goal of reducing the direct impact on the environment in 2008 through the following ways:

- Investing in technology that reduces energy consumption including the completion of the smart box project for the retail network
- Continuing to replace air conditioning with plant that uses less energy and reduces the impact of refrigerants
- Implementing technology to better understand energy consumption

- Seeking opportunities to procure energy from renewable and CHP sources, if feasible and cost effective, to reduce CO² emissions for 2008
- Monitoring the climate-change agenda and related risks and opportunities.
- Review of lighting throughout main head office buildings
- Greater emphasis on reduction in general waste amount for core office locations and full use of recycling on office floors
- Re-launch of the Switch it Off campaign into the retail network.

SUPPLIERS

PARTNERSHIP IN PROCUREMENT

The Procurement team at Abbey oversees the buying of goods and services from other organisations. We spend around £700 million every year with our business partners and as the efficiency of our business increases the centralisation of our purchasing has grown and taken on more importance.

In 2007 we piloted a new 'Budget to Pay' system and began a revision of the Cost Management & Procurement processes to greater improve control over our spend.

The cost management disciplines have been strengthened by being integrated under a single business head of supplier payment activity and close management of external spend.

The creation of Cost Management Units (CMUs) which gives horizontal control to the company has continued to achieve this objective. There are nine cost management categories, based around our areas of significant spend:

- Marketing & Promotion
- Technology
- Legal
- Finance
- Group expenses
- Employment
- Office Accommodation
- Capital
- Operations

Our largest suppliers continue to be those who provide facilities management support to our property portfolio, those who support our products through print and marketing services, and those who provide basic office provisions such as IT equipment and paper.

We now have just under 3,000 active 'recognised' suppliers aligned to the CMUs. With an increasing reduction in the number of suppliers we are able to negotiate better commercial terms by pooling our spend into more attractive volumes. This is overseen by our Procurement team of 15 buyers, with the cost management principles integrated into each business division. We continue to use electronic tendering successfully and will consolidate its use in 2008.

PROCUREMENT POLICY

The Abbey Procurement Policy remains clear that:

- We will only do business with organisations that share our commitment to treat all stakeholders fairly and ethically in accordance with the United Nations Global Compact on human rights, labour regulations, protection of the environment and anti-corruption
- We aim for the highest ethical standards and expect our suppliers to do the same.

SUPPLIER RELATIONSHIPS

We look to deal with suppliers in a fair and open way and our procurement policy promotes competition when offering contracts. The key principles state that the policy protects our commercial interests and reputation by:

- Ensuring good business-to-business conduct
- Providing strong financial control
- Providing sound contract terms
- Allowing sound risk management.

In addition to our Procurement policy, the Abbey Code of Conduct for purchasing provides staff with guidelines on how to manage supplier relationships, from the initial investigative stage through to ongoing partner management. The code aims to provide protection from obligation or undue influence, for both Abbey and our business partners. Included are principles to adopt in order to maintain high standards of honesty, integrity and ethics such as declarations of interest, confidentiality and business gifts.

COMMITMENTS FOR 2008

- To complete the rollout of our Budget to Pay system.
- A revision of our Cost Management & Procurement Policy to reflect our new system changes.



ASSURANCE STATEMENT

SGS UNITED KINGDOM LTD'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE ABBEY PLC CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2007

NATURE AND SCOPE THE ASSURANCE

SGS United Kingdom Ltd was commissioned by Abbey plc to conduct an independent assurance of the Corporate Social Responsibility Report 2007. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and 2007 data in accompanying tables, contained in this report.

The information in the Corporate Social Responsibility Report of Abbey plc and its presentation are the responsibility of the directors and the management of Abbey plc. SGS United Kingdom Ltd has not been involved in the preparation of any of the material included in the Corporate Social Responsibility Report. Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below.

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines (2006) and the AA1000 Assurance Standard (2003). These protocols follow differing levels of Assurance depending the reporting history and capabilities of the Reporting Organisation.

This report has been assured using our Level 1 protocol for content veracity, and comprised a combination of interviews with relevant employees in Milton Keynes, London and Bradford; documentation and record review and validation with external bodies where relevant. The assurance did not include assessment against the GRI Sustainability Reporting Guidelines and as such the CSR indicators on pages 32 and 33, and the GRI Application Level referenced on page 9 were not included in this assurance. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS United Kingdom Ltd affirm our independence from Abbey plc, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders. The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised IRCA Registered Sustainability Assurance Practitioner and IEMA Registered Environmental Auditor.

ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within Abbey plc's Corporate Social Responsibility Report verified is accurate, reliable and provides a fair and balanced representation of Abbey plc's sustainability activities in 2007.

Signed:

For and on behalf of SGS United Kingdom Ltd



Pauline Earl
Managing Director



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– Nothing to report

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