

Corporate Social Responsibility Report 2008



Abbey

PART OF THE SANTANDER GROUP

08



This is Abbey National plc's ninth annual CSR Report. It covers activities relating to Abbey's operations in the UK for the period January to December 2008 and takes into account developments at the beginning of 2009 where they have a bearing on the content of the report. For reporting purposes all information and data published in this document only relate to the Abbey business. Going forward Abbey will produce a consolidated report for 2009 which will include our newly acquired businesses Alliance & Leicester and Bradford & Bingley savings. This report will be published in 2010.

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.30). A CSR Working Group has responsibility for defining the content for the report and each member 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.



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Introduction

Despite a very difficult economic environment in 2008, Abbey's business performed well and we continued to make good progress on our CSR activities.

This was the second of our three year CSR plan, and our focus was on seven priority areas – financial inclusion, employee diversity, volunteering, corporate donations, environmental impacts, climate change and supplier engagement. We made considerable progress on the majority of these and continued to invest in our new flagship programme Santander Universities which saw partnerships established with a further 21 UK institutions.

To support our customers, we invested further in our range of value for money products and services including launching a 'First Home Saver' account paying a market leading 8% for savings of between £100 and £300 a month in a commitment to first time buyers. We also launched a dedicated 'Passport to Balancing Your Life' pack for employees bringing together a new range of policies to support employees in achieving a positive work-life balance.

Our focus on encouraging staff in community activities increased the take up of our 'Community Days' team challenges and this year 47 projects were supported around the UK. With the launch of our first 'Charity of the Year' in 2008 we were able to raise over £140,000 for Great Ormond Street Hospital and in total our community contributions reached £4.9million.

Our efforts to reduce the environmental impacts of our day-to-day business continued and an investment of almost £7million in new technology and equipment helped to contribute to a reduction in energy of 18% resulting in CO₂ emissions of 4.02 tonnes per employee.

2009 is expected to be another difficult year for the UK economy with further market deterioration that will present ongoing challenges. However, Abbey continues to benefit from the strength of Santander and we remain confident that our business will grow.

We are committed to maintaining our CSR programme activities. With an enhanced presence in the marketplace, we recognise that our position as one of the largest financial companies in the UK carries with it an increased responsibility to society.

During 2009, we will review our programme to ensure our CSR activities are aligned to the expectations of our stakeholders and we will look to integrate the Alliance & Leicester and Bradford & Bingley CSR initiatives taking the best of each to support our goal of becoming the best commercial bank in the UK.

Lord Burns
Chairman

Company profile

With Bradford & Bingley's savings business and Alliance & Leicester, Abbey is now the second largest provider of residential mortgages in the UK and the third largest deposit taker in the UK. We are one of the leading providers of banking services, savings, protection and self-invested personal pensions in the country.

Retail Products	Channels	Principal Offices
Bank accounts	Branches	London
Mortgages	Phone	Milton Keynes
Savings	Internet	Bradford
Loans and Credit Cards	Cash machines	Glasgow
Investments and Pensions	Independent financial advisers	Belfast
General insurance	Agencies	Sheffield
Life protection		

Governance structure

Abbey is a wholly owned subsidiary of Banco Santander, S.A. The Abbey Board is comprised of a chairman, four executive directors including the chief executive, and seven non-executive directors. The roles of chairman and chief executive are separated and clearly defined. The Board currently has one standing committee: the Audit and Risk Committee which operates within written terms of reference.

Business divisions

- Retail Banking – offers residential mortgages, savings, banking and other personal financial products, managed through the following distribution channels: retail (branch and telephone) banking, business banking, premium banking, e-commerce and intermediary.
- Private Banking – offers private banking services, self-invested personal pension plans, a WRAP service and other specialist banking services. Includes James Hay and Cater Allen.
- Global Banking and Markets – provides financial markets sales, trading and risk management services, as well as manufacturing of retail structured products.
- Corporate Banking – offers banking services to small and mid-sized (SME) 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 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 to manage risks.

Corporate units

- Group Infrastructure (asset & liability management, group capital and funding)
- Corporate Services (legal, secretariat, compliance and regulatory risk management)
- Finance, Strategy and Planning
- Service Quality
- Communications
- Santander Universities



Business Update

In what was a very difficult economic environment, Abbey delivered profit growth of over 20% and we successfully achieved our financial targets for 2008, with trading revenue growth in excess of our 5 – 10% target range and a further reduction in the trading cost:income ratio to below the sector average in the UK.

Abbey continued to grow across all areas of our business in 2008 as we moved towards our goal of becoming a full-service commercial bank. We were a consistent mortgage lender throughout the year offering a full range of competitive mortgage deals resulting in net lending mortgage share of 29% in 2008. We continued to offer additional innovative value-for-money products, increased cross-sales and delivered a strong uplift in new business underpinned by a good performance in current accounts, investment products and credit cards.

The addition in September of Bradford & Bingley's savings business brought an additional £20bn of deposits, further strengthened our position, and improved our commercial funding mix to over 70% from customer deposits.

Summary highlights

- Personal Financial Services trading profit before tax was £1,301m (£1,104m in 2007).
- Personal Financial Services trading income was 12.7% higher than the previous year.

Outlook

2009 will undoubtedly be a very challenging year. Despite this, we are cautiously optimistic about our business prospects and are continuing to benefit from being part of the Santander Group, which means that our UK business is well-positioned for the challenges and opportunities ahead.

Acquisition impacts

The acquisition of Bradford & Bingley savings business in September and Santander's acquisition of Alliance & Leicester in October, subsequently transferred to Abbey, were part of Santander's UK growth strategy. With the combination of the three businesses we have achieved our goal of being a significant player in the UK, and Abbey now has market shares above 10% in mortgages, savings, bank accounts and branches. Together, our range of well-known brands provides services to 24 million customers.

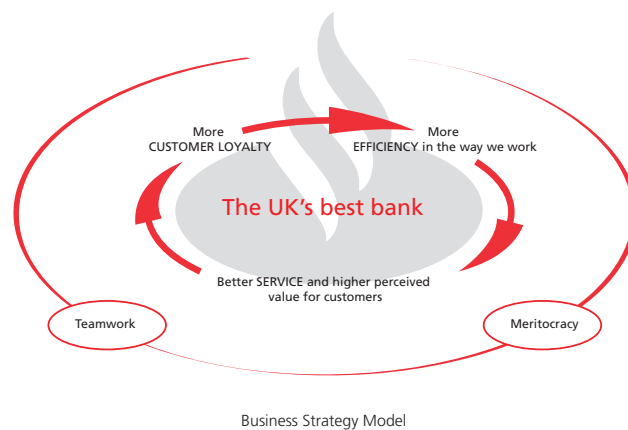
The combination of Alliance & Leicester and Abbey accelerates our growth in the SME market by two to three years, with the addition of 20 corporate centres and around 100,000 SME customers. Over the next 12 months we plan to extend our product range for small and medium sized business customers and will look to recruit up to 100 additional small business advisers for the Abbey branch network.

In order to continue growing our business and enable further investment in frontline services and branches, we will be transferring Bradford & Bingley's savings operations and then Alliance & Leicester onto Santander's proprietary IT platform, Partenon, as well as removing duplicated back office and support functions across the businesses. This does mean Abbey expects to reduce the combined UK workforce by approximately 1,900 in 2009.

Our core business strategy remains; we will continue to focus on delivering excellent customer service, drive efficiencies across the combined businesses and reinvest in innovative value-for-money products, which in turn will drive cross sales to our customers, and increase customer loyalty. These key themes form the core of our business strategy.

We are committed to the branch network in the UK, which now numbers over 1,300, supporting Santander's status as one of the world's leading retail banks.





Business Strategy Model

Economic data

1. Operating highlights (£m)

Pre-tax profits on continuing operations	1,094	864
Net attributable income	819	685

2. Balance sheet (£m)

Reserves	4,705	3,344
Equity Tier 1	5,387	4,971
Total assets	231,742	199,623
Total customer funds	99,246	69,650

3. Management ratios (%)

PFS trading cost: income ratio	45	50
Tier 1 ratio	8.5	7.3

4. Social contribution (£m)

Salaries and other staff costs	695	717
Taxes on continuing operations	275	179
Community contribution*	4.9	3.2

5. Key data

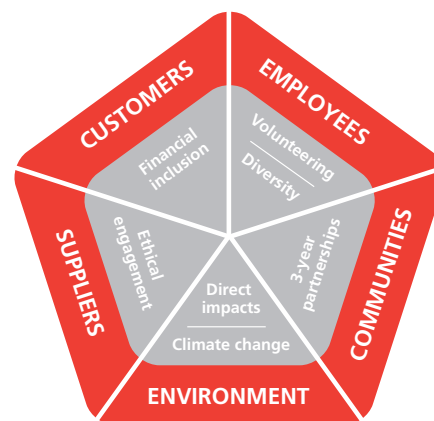
Number of customers (million)	16,800	16,100
Number of employees (full-time equivalent)	15,954	16,360
Number of branches	710	704

Items 1-4 (excluding those marked with *) are extracted from the Abbey National plc 20F and include Bradford & Bingley data but exclude Alliance & Leicester.

Detailed information about our business performance and activities is available on our corporate website at www.aboutabbey.com



Taking responsibility



CSR Strategy Model

Corporate social responsibility is about how a company can perform to its best in a socially responsible way. 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. 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

The CSR three-year plan established in 2007 continued to direct the priority actions in 2008 with a focus on making further progress on the seven gap areas, identified in the above CSR strategy model diagram, and increasing investment into the new flagship university, diversity and volunteering programmes. In 2009, we will be integrating the Alliance & Leicester and Bradford & Bingley CSR activities into Abbey and developing a new three year plan to ensure the programme contributes to and is complimentary with our vision to be the best commercial bank in the UK.

Group CSR training

In June, Abbey hosted the third module in the Santander global Corporate Social Responsibility training programme which saw 31 delegates from eight countries across Latin America and Europe attending the week-long course.



Developed in 2007 by the HR department in Madrid, the CSR course is part of the global executive development programme and ensures the Group's future leaders understand the importance placed on the issue of corporate responsibility at Santander.

The UK module featured an intensive induction into the UK marketplace, social investments and environmental issues. As part of the course, the delegates heard from Baroness Greengross, Chair of the APPG on CSR and Claire Barnett from Entec on the impacts of Climate Change. The course included a session on Abbey's corporate banking operations to show how we are providing large scale loans to social housing landlords across the country. And the group also visited one of Abbey's major charity partners Shelter and heard from Chief Executive Adam Sampson on how funding from the bank is helping to address issues of financial exclusion in some of the poorest areas of the UK.

The programme is a unique opportunity for the Group's future leaders to gain an insight into the world of CSR. A critical element of the course is that the delegates then take the knowledge back to their own business areas and take personal responsibility for embedding the principles of sustainability into their departmental plans.

Responding to the credit crisis

Since August 2007, the global financial system has experienced difficult credit and liquidity conditions. In September 2008, financial markets deteriorated sharply following the bankruptcy filing by Lehman Brothers. In the weeks that followed, a number of other major financial institutions experienced significant difficulties. The market turmoil that resulted was unprecedented. Subsequently, the UK banking sector underwent significant changes, with Northern Rock and Bradford & Bingley (excluding the savings business) taken into public ownership, the Government taking substantial holdings of shares in RBS and the Lloyds Banking Group, and other banks and building societies were bought out.

Funding and capital strength

The Government has supported UK banks during the market upheaval through the Special Liquidity Scheme, the Asset Protection Scheme, the Credit Guarantee Scheme and the UK Banking Act 2009. Abbey did not use the Government's recapitalisation scheme and does not expect to do so in the future. In 2008, Santander's commitments to the Government and regulators to improve the combined Tier 1 ratio of Abbey and Alliance & Leicester were met using the additional £1bn of capital announced at the time of the acquisition of Alliance & Leicester.

Since September 2006, we have been carefully maintaining a balance between the margin of new business, prudent lending criteria and our market share aspirations. Our lending growth has been largely funded by an increase in net deposits with over £11.2bn deposited by retail and SME customers in 2008. This clearly demonstrates that Abbey, as part of the Santander Group, continues to be seen as a safe haven for UK depositors.

Responsible lending

Our prudent approach to mortgage business has served us well and the quality of our lending continues to be based on affordability and robust risk management, benefiting from our decision to concentrate on lower loan-to-value (LTV) lending. Progressively stricter lending criteria are applied to mortgages above a loan-to-value of 75%. Around 1% of new secured loan advances in 2008 were made with a loan-to-value of more than 90%.

In 2008, Abbey's credit quality remained strong, with the average LTV on new business completions in Q4 reducing to 60% and on stock increasing slightly to 51% reflecting the fall in house prices offset by active management of new business LTVs and retention activities.

The Banking Act

The Banking Act 2009, which received Royal Assent in February 2009, is the Government's attempt to improve the resilience of the financial system and support financial stability by strengthening depositor protection and dealing with banks facing difficulties. The Act establishes for the first time a permanent Special Resolution Regime for failing banks, allows changes to be made to the Financial Services Compensation Scheme and gives the Bank of England a new statutory financial stability objective.

The Turner Review

In March 2009, the Financial Services Authority (FSA) published a review of the regulatory response to the banking crisis by Lord Turner, chairman of the FSA. Lord Turner was asked by the Chancellor to review the events that led to the current crisis and to recommend ways to improve regulatory standards and supervision. A series of recommendations were made by the Turner Review as a result, including regulatory reforms.

Our combined UK business has a significant and growing presence in the UK banking sector. In order to ensure that new regulations are properly implemented in the UK, we appointed a Director of Regulatory Risk Management in April 2009.

Treasury Select Committee inquiry

On 11 February 2009, Abbey's CEO, António Horta-Osório, gave evidence to the House of Commons Treasury Select Committee as part of its inquiry into the lessons to be learnt from the banking crisis. Abbey was part of a panel of witnesses which also included the CEOs of Barclays, HSBC (UK), Lloyds Banking Group and the Royal Bank of Scotland.

Abbey was not the focus of the MPs' questions, given that they were keen to understand the events that led to the part-nationalisation of other banks. Abbey's CEO was asked about Santander's approach to risk management and Spain's approach to banking regulation. This was of great interest to the Committee members, who were keen to understand and learn what can be done differently in the UK, to prevent a repeat of the current crisis.

Since the evidence session, Abbey submitted further written evidence to the Committee on these topics, giving us an opportunity to influence the future UK approach to banking regulation.



Customers

As a major financial services provider in the UK we recognise the responsibility we have to ensure that we provide our customers with the best possible products and support initiatives that widen access to financial services.

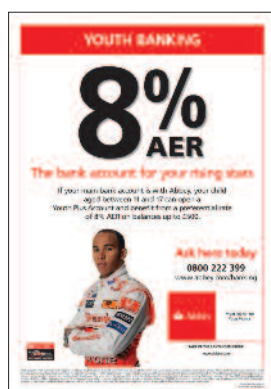
Value for Money

As our business becomes more successful we are able to develop products and services that provide greater value for our customers. Our approach is to continually strive to improve our products and services in order to ensure that we achieve this. In 2008, many of our products attracted awards, confirming we are on the right path to achieving our goal.

Extending banking options

We launched a new range of reward bank accounts during 2008 including a Family Account and Travel Account so customers could choose the benefits most appropriate for their individual circumstances. For a £15 monthly fee, these accounts offer all the features of an Abbey bank account with additional banking, insurance, retail and leisure benefits worth over £800.

A new Youth Plus bank account was launched that offered a preferential rate of 8% for 11-18 year olds whose parents have their primary bank account with Abbey. The account encourages young people to manage their money effectively by offering a high interest rate on balances up to £500 and monthly statements that allow them to keep track of their spending. It also offers a Visa Electron card that allows young people to pay for goods in shops and online, however there is no overdraft facility to ensure customers do not get into unwanted debt.



For students, a new account was introduced to help them throughout their university education. It offered a stepped, interest-free overdraft, which increases annually from £1,000 to a maximum of £2,000. If students study to year five, there was also a £50 cash bonus on account opening and 4% in-credit interest on balances up to £500.

Market leading credit card

In April, Abbey created an industry leading credit card with the launch of a new 'Zero' card. It was the first ever card to bring together a no balance transfer fee, a no foreign exchange fee and a no cash advance fee. It also offered zero per cent on purchases for six months. It was very well received by customers and staff alike.

To help customers through the difficult times of the credit crunch, the Essentials cashback card was launched in October 2008. It offered 3% cashback on essentials such as supermarket spending and petrol for six months, plus zero per cent on balance transfers for nine months and zero per cent on purchases for three months from account opening.

Encouraging savings

In September 2008 we launched two new limited edition savings products: Fixed Rate Reward Saver and Super Fixed Rate Reward Saver.

With the Fixed Rate Reward Saver customers were able to get a rate of 5% gross pa, fixed for one year, a reward bonus of 1.5% at the end of the first year if they continued with the product and a new fixed rate and bonus at the end of every year until they decide to access all of their money. This gave customers the peace of mind to access their money at any time.



We also launched an Instant Access Saver with a market leading 6.5% on balances of £1,000 and above, offering one of the best easy access rates on the high street. And, in a commitment to support first time buyers, we launched the First Home Saver account paying a market leading 8% for savings of between £100 and £300 a month.





Improving online services

To help customers when dealing with Abbey online, the Abbey.com website was re-launched with a number of improvements to make the site easier to use and much quicker for customers. We added more products available to apply for online and created a more accessible design to encourage customers to make greater use of the online service on a day-to-day basis. Some of the new benefits include:

- Simpler navigation to find the right product
- More help for customers with a totally new online support area
- Easier online application processes for more products
- Quicker application processes

The new website now clearly features Abbey's products using simple tabs across the top of the site with more links in each product screen to related products.

Treating customers fairly

Our regulator, the Financial Services Authority set two treating customers fairly (TCF) deadlines for 2008: by the end of March businesses to have appropriate management information (MI) and measures in place to test whether they are delivering fair treatment to customers; and by the end of December to be able to demonstrate that they are consistently doing so.

During 2008 our efforts were focused on demonstrating achievement with these requirements whilst maintaining our programme of embedding TCF into our day-to-day activities.

Staff training on TCF continued through our telephony and back office sites in early 2008 focused on how to incorporate TCF into daily activities, such as listening to customers and checking understanding. We also launched a key account pack to assist our main intermediaries in looking at the business placed with Abbey to improve information available and encourage more interaction on TCF.

As part of the drive on TCF-related MI we also instigated a number of enhancements to our quality checking and customer contact programme to improve the information obtained on how we do business and the quality of that business. A wide range of activities and controls are now in place to ensure that we can identify and evidence management of TCF related issues, this includes the tracking of key actions agreed to improve the delivery of fair outcomes for our 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.

Abbey continued to invest large sums to support RSLs' ongoing development and repair programmes. Delivered by the Abbey UK Corporate Banking specialist Social Housing Finance team, additional loan facilities were provided to around 30 RSLs, thereby increasing our total commitments to more than £8 billion. Among these were new loan facilities of £34 million for Three Oaks Homes, a new RSL established to acquire the housing stock of Blaby District Council in Leicestershire.

Three Oaks Homes

Three Oaks Homes was formed in November 2008 as a result of a stock transfer from Blaby District Council. An overwhelming majority of tenants voted in favour of transfer to the not-for-profit Registered Social Landlord.

Three Oaks Homes' prime goal is to meet the 'Blaby Standard', which exceeds the Government's Decent Homes Standard, and was drawn up by tenants. A five year programme of major works to some 2,200 homes will see new bathrooms and kitchens fitted, double glazed windows and doors installed, properties re-wired and central heating introduced.

Garden fencing, footpaths and off-street parking will be improved and security features, such as door entry systems in sheltered schemes, will be upgraded. Abbey's loan will help to fund this vital and life-enhancing work.

Bruce Kerr, managing director of Three Oaks Homes, said the support of Abbey UK Corporate Banking would turn the Blaby Standard into a reality for thousands of tenants. "Over the coming months and years our tenants will see a huge difference in the quality of their homes. Furthermore, the impact will be felt in the wider community as pride in the area is sure to grow."

Financial Inclusion & Capability

Abbey continues to support initiatives to reduce the number of people who are financially excluded because they are unable to access mainstream financial products such as bank accounts and low cost loans. Our support is focused on the three priority areas identified by the Financial Inclusion Taskforce, the body set up by the Government to promote financial inclusion.

These priority areas are basic banking, money advice, and affordable credit. In addition to our efforts in these areas, we are investing in our frontline services and branches in the UK. By allowing easy access to mainstream financial services on high streets across the country, branches play an important role in promoting financial inclusion. Now that Alliance & Leicester and the branches of Bradford & Bingley have joined Abbey, we have a combined network of over 1,300 branches.

Abbey seeks to keep up to date with best practice on financial inclusion and financial capability through representation on the British Bankers' Association (BBA) Financial Inclusion and Capability Advisory Panel. This is in addition to one-to-one meetings, for example, with the team responsible for financial capability within the Financial Services Authority. Through the BBA, we have also contributed to the design of the Government's Saving Gateway account scheme, which aims to develop a saving habit among low income households.

Basic banking

Abbey is a major provider of basic bank accounts, an important first account for many people who have not operated a bank account before or who are not confident in managing their money. The accounts offer many of the same benefits as other current accounts, such as being able to receive and make payments electronically, but without the possibility of becoming overdrawn. The accounts can also be accessed over Post Office counters. For those people without experience of a banking relationship, basic bank accounts can act as an invaluable stepping stone to current accounts with a wider range of features.

In 2008, Abbey increased its total number of basic bank accounts by 7%, demonstrating that we are playing our part in working towards the 'shared goal' – between the industry, government and others – of halving the number of adults in the UK who are without access to a bank account.

Money advice

One of the Abbey Charitable Trust's funding priorities is supporting disadvantaged people through financial education and advice that helps them to manage their money better. This enables us to support projects that contribute to improving both financial inclusion and financial capability. In 2008, the Charitable Trust spent just over £427,000 on financial education and advice projects. This included a donation of £25,000 to Citizens Advice, a sum which helped to train volunteer debt advisers – an important task given the organisation's dependence on such volunteers.

Abbey also supported the parliamentary launch of research into fee-charging debt management companies. The research was conducted by the Personal Finance Research Centre in Bristol on behalf of the Money Advice Trust. It was launched in December 2008 with the help of the Speaker of the House of Commons, Michael Martin MP.

Age Concern Northern Ireland

Age Concern Northern Ireland received over £16,000 from Abbey's Charitable Trust in 2008. The donation helped to fund a range of financial advice leaflets, audio visual equipment and software to help older people throughout the region.

Redcar & Cleveland Mind

With support of over £10,000 from Abbey, Redcar & Cleveland Mind, a mental health voluntary organisation, conducted a gardening and allotment project seeking to link healthy eating with healthy finances through budgeting and financial planning skills.

Castle Advice Trust

Castle Advice Service provides free, confidential advice around benefits, tax credits, debt, housing employment and consumer issues in the Sheffield area. With funding from Abbey, the organisation was able to purchase IT equipment to help in the delivery of financial advice.

Affordable credit

When we talk about affordable credit we mean relatively small loans at reasonable interest rates from responsible lenders such as credit unions. These loans, usually of a few hundred pounds, can be crucial in helping people on low incomes manage their cash flow without resorting to high-cost or unregulated alternatives.

Abbey supports organisations working in this field and spent approximately £150,000 doing so in 2008.



Customer satisfaction (% satisfied customers)¹



¹ Rebased to include customers who are extremely, very or fairly satisfied, based on customers interviewed in the three months ending December 2008.

Total complaints



Abbey was invited to be a member of the Top 50 Call Centres industry group in 2008, along with some of the most highly recognised brands for service on the high street such as John Lewis and First Direct.

Managing complaints

Abbey's vision for managing complaints is to actively seek and effectively manage feedback. The Complaints department is engaged in identifying trends, examining root causes and complaints prevention.

Abbey continued to record an overall decrease in the number of escalated complaints received in 2008, due to an ongoing reduction in the volume of mortgage endowment complaints.

Unauthorised overdraft fees

In July 2007, seven banks, including Abbey, and a building society commenced a test case in the High Court to clarify the law in relation to unarranged overdraft charges. The test case process was initiated by the banks and the Office of Fair Trading (OFT), to bring clarity to an issue which is of concern to a large number of bank customers.

As previously agreed with the Financial Ombudsman Service and the FSA, customer complaints relating to unarranged overdraft charges remain on hold while the test case is running (except in limited and specific circumstances). The Court has also recommended that County and Sheriff Court cases relating to unarranged overdraft charges should remain on hold.

The latest development in the test case process is that the Court of Appeal issued its judgment on 26 February 2009. Although the Court of Appeal found that the banks' unarranged overdraft charges can be assessed for fairness under the Unfair Terms in Consumer Contracts Regulations 1999, the Court did not consider whether the charges were actually unfair. That is a question that can only ultimately be decided by the Courts after further hearings.

The judgment highlights the complex issues involved and the Court of Appeal said it reached its decision "not without hesitation". The banks applied to the House of Lords for permission to appeal the Court of Appeal's decision and this was subsequently granted. Further hearings will be required before the test case process is concluded. In keeping with the agreement with the OFT and FSA, Abbey will make sure that customers are kept appropriately updated about the test case process.

Service Quality

Service quality remains one of the five strategic priorities for Abbey. It is only by focusing on the customer at all times and delivering excellent service that we will differentiate 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. Following feedback from customers and staff, Abbey delivered a range of initiatives to improve customer service in 2008:

- In branches, the "7 ways to SHINE" initiative was launched. This sets out seven key behaviours that staff need to display in every interaction with a customer, to improve satisfaction with service. A monthly mystery shopping programme was implemented to test that branch staff are displaying these behaviours.
- An internal complaints helpline has been launched to help branch staff resolve customer complaints more quickly and effectively.
- Branch Managers now have more discretion to make compensation payments to customers where Abbey has made an error and the customer has been disadvantaged.

Improvements to the account opening and closing process have also been made. The online account opening process has improved significantly, with the time taken to open many savings accounts having reduced from 14 days to the next day. Customers can now close their banking and savings accounts in branch rather than having to send them off to a central processing team.

Customer satisfaction

We continued to obtain customer feedback in 2008, with over 250,000 customers being surveyed to identify how satisfied they were with their branch or call centre. The percentage of Abbey customers that are extremely or very satisfied has been maintained compared to our relevant competitor set, however competitor customer satisfaction scores have also declined in the unique market conditions experienced during 2008.

Employees

A Rewarding Place to Work

Work-life balance

We are committed to making Abbey a more rewarding place to work and in 2008 we reviewed how we encourage, promote and support work-life balance, health and lifestyle issues. We produced a pack for employees, bringing together a range of new and existing ways that Abbey provides support, including:

- *Passport to Balancing your Life*: giving details of our varied flexible working opportunities, maternity, paternity and adoption benefits and a range of benefits for employees and their families.
- *Employee Assistance Programme*: a helpline available 24/7 which provides confidential information and advice on a broad range of issues. In 2008 we improved the service to include debt counselling, financial concerns, consumer information and family care.
- *Emergency Child and Homecare Services*: a new service for employees who have caring responsibilities, ensuring they have their care requirements met in case of unforeseen circumstances or emergencies.

In addition, responding to employee requests for a simpler approach to flexible working, we launched a new 'Flexibility at Abbey' policy. All Abbey employees have the right to request one or more of the flexible working, flexible leave & career break or flexible location options available and applications are automatically tracked so that we are better able to monitor and evaluate the scheme.

Reward and benefits

In 2008, we developed an innovative reward and benefits package for Abbey employees and launched a new range of options packaged under the banner of 'Let Abbey Benefit You'. A dedicated online benefits site was launched, offering discounts and special offers from a range of high street brands as well as information on all of the corporate benefits available to Abbey employees.

We also launched a new Sharesave scheme for employees to give them the opportunity to buy shares in Banco Santander. The scheme, the first of its type in the Group, gives Abbey employees the chance to gain any benefits from Santander's share price performance in the future. Employees save between £5 and £250 per month over a fixed period of either three or five years with the opportunity to buy shares in Banco Santander at the end of the savings period, at a price set at the time employees join the plan, and a guaranteed tax free bonus. With an average take up rate of around 20-25% in the financial services industry, the Abbey scheme was well received by employees and achieved an overall participation rate of circa 40%.

Santander is You

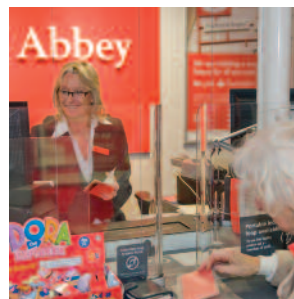
The 'Santander is You' global HR programme aims to raise awareness of the benefits of working for Santander as well as helping to spread the company's values and acknowledge the effort and dedication of employees.

In 2008, we organised a range of 'Santander is You' events including 'Abbey Olympics' and a Spanish themed week that saw head office restaurants serving Spanish food. Teams were encouraged to decorate their work area to represent a country where Santander operates and in all, over 1,000 employees took part.

People policies

During 2008, a new People Policies Framework and Governance was introduced, which provides essential information on Abbey's people policies and sets out the values, structure and principles on which the People Policies are based. The first policy to be launched under the new Framework was a Sickness Absence Policy, resulting in a reduction in both long and short term sickness absence.

In addition, we launched 'Ask HR', a helpline available to all managers, providing advice and guidance on HR policy interpretation and application.



Employee Handbook

The Employee Handbook underwent two reviews during the year reflecting changes made to some of our HR policies and updating the corporate content – including the acquisition of Alliance & Leicester and the Bradford & Bingley branch network and saving accounts. Our recognised trade union Advance was fully consulted on the handbook changes.

Equality and diversity

We strive to create an environment responsive to different cultures and groups. Abbey is a member of a number of partnership organisations who help us to understand issues surrounding diversity in employment

In 2008 Abbey sponsored the Opportunity Now Annual Dinner and Awards and a new Abbey Award was created “Inspiring the Workforce of the Future”. The award recognised employers who inspire girls and young women to consider different career paths and aspirations. We will sponsor the Dinner and Awards again in 2009.

Diversity group membership

- Employers’ Forum on Age
- Employers’ Forum on Disability
- Race for Opportunity
- Stonewall’s Diversity Champions Programme
- Opportunity Now

Awareness and training

The mandatory face-to-face awareness training delivered to Abbey’s senior leaders in 2007 continued during 2008 with almost 40 courses delivered through the year. Approximately 700 managers attended the training which received excellent feedback.

In addition, an e-learning diversity programme was launched on our internal Learning website. The course, which is mandatory for all employees, will be undertaken annually and is test assessed.

Positive about disabled people

At the end of 2008 Abbey successfully renewed its “2 Ticks Positive about Disabled People” status. The symbol is recognition given by Jobcentre Plus to employers who have agreed to make certain positive commitments regarding the employment, retention, training and career development of disabled people.

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 2008 updated terms of reference for an in-depth Equal Pay Audit were agreed with Advance.

The first steps of the audit will be undertaken in early 2009 and will be 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).

Managing and Developing People

Resourcing

We streamlined and enhanced our recruitment processes in 2008. Abbey selection tools were developed to allow the business to recruit more effectively and efficiently and we introduced controls and measures to ensure a more robust referencing and vetting service to mitigate risk from hiring the wrong people.

We reduced complexity and introduced automated recruitment to speed up the process, including:

- a web enabled pre-employment questionnaire and reference form to reduce paperwork and manual input
- faster authorisations to allow a vacancy to be released to the market sooner
- less reference information required, reducing administration time and paperwork.

Attracting graduates

Our Graduate Recruitment programme was re-launched in 2008 using the theme: ‘Abbey The Return’, which saw 53 successful candidates being placed in schemes across key divisions.



	2008	2007
Average days absent per employee	5.9	6.5
Employee turnover (%)	21	23
Total staff grievances (at final stage) ¹	73	69
Average length of service for all employees (years) ²	6.98 years	7.35 years

1. Includes all final stage grievance appeal hearings, post employment grievances and some complex first stage formal grievances. This figure does not include all formal grievance meetings as some are managed locally in the business.

2. Based on headcount average of 17,565 employees.

	2008	2007
Total number of training days ¹	109,877	124,614
Average number of training days per employee ²	7	8
Average £ invested in training per employee ³	£581	£568

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

Learning and talent management

Abbey supports employees in gaining new skills, developing knowledge and understanding new concepts to enable them to do their jobs to the best of their ability. Our Learning & Talent team arrange bespoke training and development programmes and identify and develop committed high potential employees to ensure their readiness for succession through a tailored talent management process.

In 2008, Abbey launched a Retail Banking Development Programme to support and improve the capability of our branch and regional managers. As part of this, we delivered Leading & Facilitating Change workshops to 47 regional managers to help them facilitate and embed the learning to their branch managers. We gained accreditation for this programme through Middlesex University, a first in the UK.

To support the branch network's 'Project Flame', which seeks to embed consistent sales and service standards, workshops were held with over 2,500 individuals.

Our dedicated Partenon Learning team developed over 350 simulations and 50 e-learning packages to support the IT platform. In Q4 we piloted a systems training programme for Bradford & Bingley employees - 'Partenon Account Opening and System Navigation' - for savings and bond products.

Personal and professional development

Building on our success in 2007, a number of Abbey Schools were launched including HR, Finance, Risk and Marketing. The schools concept determines 'Must/Should/Could do' learning for each business area, supported by 'Champions'. The Schools portfolio was enhanced with a number of accreditations enabling employees to take external qualifications. For our Bancassurance division we launched a Continuous Professional Development proposition which included over 80 advisers starting their Diploma in Financial Planning.

We delivered over 50 career profiles and paths to enable employees to map their career as they progress through the organisation.

Management development

In March 2008 Abbey launched a comprehensive range of development programmes aimed at four different levels of management, each designed in the context of Santander's Corporate Managerial

Curriculum. The first three levels of programmes consist of a series of blended learning modules supported by a virtual learning environment. Over 1,300 delegate days were delivered across these programmes to 253 managers. The fourth level programme was run by London Business School. 24 senior managers attended and rated the programme 4.8 out of 5.

In addition, for our Senior Managers and Executives, we launched development and mobility committees to review individual development requirements and tailor development support. One of the solutions offered is Executive Business Coaching – over 140 sessions were undertaken in 2008, further supporting our top managers.



Abbey Best People Boss Awards

2008 saw us launch the Abbey Best People Boss Awards to recognise individual bosses and line managers who demonstrate that achieving commercial success goes hand-in-hand with good people management. The awards featured four categories, based on the Santander values: Work-life Balance; Professional Development; Recognition and Learning & Knowledge.

Over 500 employees nominated their managers reflecting the positive impact many managers have in the workplace and the winners were profiled on the Abbey intranet to showcase best practice.



Listening to our Employees

Employee opinion survey

In 2008 the Employee Opinion Survey (EOS) had our best ever response rate of 84%, a 12% increase on 2007 and 4% above our target.

During 2008 our Executive Committee and over 90 senior managers took personal responsibility for five workstreams in areas where we needed to deliver improvements. These were aligned to our five key themes of efficiency, service quality, customer loyalty, teamwork and meritocracy. This proved very successful and our overall results were much improved from the 2007 survey in the important areas of:

- Understanding company strategy and vision
- Delivering for customers
- Good products and successful marketing

Overall an increased number of employees feel that Abbey has become a more rewarding place to work, have greater confidence in our senior leaders and Abbey's future, and understand more fully the advantages of working for a leading global bank like Santander.

Communication

We believe effective communication is key to making sure employees are fully engaged and motivated and understand their role in helping to deliver our strategy.

We use a variety 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 UK-specific news. The intranet contains role-based sections, where employees can find the information they need to do their jobs effectively.

We also issue a quarterly magazine to employees across Abbey, which gives a detailed background and understanding of the company, its strategy and its people.

Annual convention

In 2007, we introduced the first annual Convention. In 2008, around 2,000 branch and operational managers attended the convention at Olympia in London. Attendees heard directly from the executive team and senior directors at Santander and Abbey about successes and challenges from the previous year and priorities for the year ahead. Every delegate at the Convention was given a communication pack to help them brief their teams afterwards. This is a crucial communications channel, making sure the whole organisation is focused on achieving the same goals.

Working in partnership

Abbey has a long history of trade union recognition governed by a partnership agreement with Advance – the independent union we recognise to act as the voice of Abbey employees. Advance is involved in major Abbey initiatives and we consult them on significant proposals within the business at both national and local levels. Abbey holds regular Joint Consultative and Negotiating Committee meetings to enable collaborative working and ensure that communication is open and two-way.

In 2008 we worked together to deliver the new sharesave scheme, agreed the terms of reference for the equal pay audit and a new Performance Management System. We also worked to agree a range of measures to improve resourcing and customer service in the branch network.

Abbey has worked closely with UBAC, Bradford & Bingley's recognised independent trade union, and Advance since the acquisition and reached agreement on redundancy terms, pensions provision and working hours for transferred staff. UBAC is due to effect a Transfer of Engagement to Advance in 2009.



Health and Safety

We believe that healthy employees working in a safe environment enhance our business and, thereby, the achievement of our corporate objectives. In 2008 António Horta-Osório, Chief Executive, re-signed a Joint Health and Safety Policy Statement committing Abbey to the achievement of high standards of health and safety. This was re-issued to line managers and staff.

Safety at work

Our Health and Safety Management System provides managers and staff with the guidelines and procedures they need to manage safety effectively and in 2008, we completed its roll out across the business.

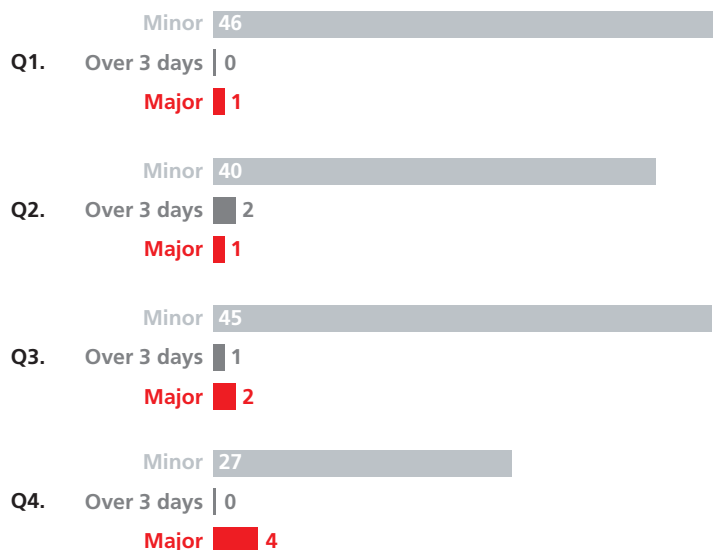
In 2008 there were 158 minor accidents, three over 3-day accidents and eight major accidents. This represents a good health and safety performance for a business like ours.

	2008	2007
Total number of accidents	169	206
Total number of accidents reported to enforcement authorities	11	14

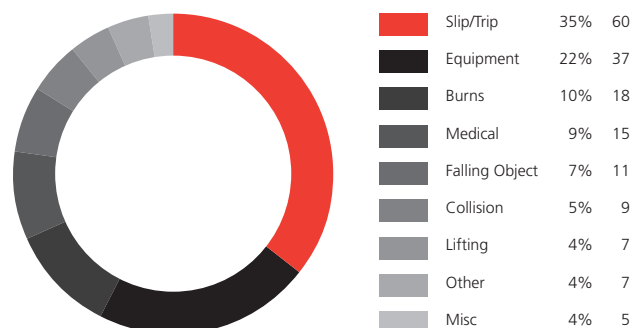
Occupational health

Our Occupational Health strategy is to identify the range of health risks that affect employees and to make sure they are properly managed. We know that musculo-skeletal disorders are one of the top three causes of occupational injury in the financial sector. To control this risk we have continued to install new, ergonomic workstations across the branch network with over 500 sites upgraded by 2008.

Accidents by severity



Accidents by cause





Employee well being

Protecting the health and well being of our people is important to us. Our online 'Health Wise' interactive lifestyle tool gives employees a confidential, personal health risk assessment.

We have three fully-equipped gyms in our head office buildings and gym membership has grown to over 700 during the year. We also negotiated a 20% discount off comprehensive health assessments with BUPA for employees.

We upgraded the employee assistance programme in 2008 and staff, and their immediate family, can access the comprehensive information and advisory service along with face-to-face counselling where appropriate.

Health and lifestyle events

To actively promote the health and well being of employees we arranged Health and Lifestyle events in our Milton Keynes and London offices in October and November 2008. The events featured a number of stalls promoting health issues such as safe working, stress management, drug and alcohol awareness, cancer avoidance and alternative therapies. On-stage activities included salsa dancing, Tai Chi and healthy cooking.

These events were supported by the introduction of quarterly 'Health and Lifestyle Updates' in 2008 so that employees are regularly informed and aware of key health and lifestyle issues.

Commitments for 2009

- Develop our procedures to assess and support disabled staff in the business.
- Review our existing arrangements for managing work-related stress.
- Deliver a 'New Joiner' initiative that supports new employees and helps to increase retention.
- Fully consolidate and continue to develop the graduate scheme.
- Roll out of 'Santander is You' scheme in Alliance & Leicester and Bradford & Bingley.
- Partenon systems training programme rolled out to Bradford & Bingley.
- Equal pay audit undertaken.

Employee data

	2008		2007	
Total employees ¹	15,954		16,360	
Total female employees	10,446	65%	10,658	65%
Total male employees	5,508	35%	5,701	35%
Total full-time employees	12,847	81%	13,727	84%
Total part-time employees	3,107	19%	2,633	16%
Total ethnic minority employees ²	1,173	7%	1,169	7%
Total employees aged over 50	1,909	12%	1,884	12%

1. Total number of Abbey, Group companies UK employees and Abbey overseas employees, at 31 December 2008, 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.

Communities

Working with Communities

Our strategy for 2008 was to increase staff engagement with our community programme mainly by increasing the donations made through the employee Matched Donation scheme.

In 2008 Matched Donations achieved an all time Abbey record reaching £778,408 - a substantial 31% increase on 2007, primarily due to the launch of our first Charity of the Year scheme. The 1,082 donations to match employee fundraising ranged from local hospices and Parent Teacher Associations to large national charities such as Cancer Research UK and Great Ormond Street Children's Hospital.

We have Community Partnership Groups (CPG) in each of the areas where Abbey has a significant presence made up of staff, pensioners and a local charity representative. In 2008, we increased the budget for the seven Community Partnership Groups and 87 donations totalling £803,987 were made by the groups to local charities in their area.

Valuing our contribution

The total value of the support provided by Abbey to the third sector in 2008 was £4,946,099 including £3,709,361 in cash donations, mainly made by our Charitable Trust. This was an increase of 54% on the contribution in 2007.

The above table shows that together the Trust's three charitable priorities to help disadvantaged people account for 74% of the donations (education & training 39%, community regeneration 18%, financial literacy 17%). The employee Matched Donation scheme is responsible for 21% of donations for relief of suffering and 5% other causes.

Measuring success

Each year we invite charities to report back on the lasting difference made by our donations in the previous year. We received 142 replies from the 286 surveys sent out in 2008 and charities were invited to score the impact made by our donations between 0 for no benefit up to 4 for exceptional long-lasting benefits. From these responses we learned that:

- Impact ratings:
 - > 1% (1 response) - some immediate impact
 - 13% – acceptable in line with the original objectives
 - 63% – significant long-lasting benefits
 - 23% – exceptional long-lasting benefits
- The charities had gained a further £454,420 of extra resources as a result of our funding and this represents 188% of added value leveraged from our donations
- 38,017 school-age children, 75,214 older people, 23,830 disabled people, 5,759 people from ethnic minority groups and 17,241 people from other groups benefited from these donations.

It is clear from this feedback that our one-off grants, usually for equipment and training materials, are highly valued by the charities that receive them, often leveraging in additional support in terms of further grants or volunteer support.

Valued local grants

The Third Age Project is a near neighbour of Abbey's, located just behind our London head office. A donation of £7,268 set up a computer network as well as funding the renovation of their community garden space.

"Abbey's kind donation has enabled us to install a high quality seven PC network in the Crypt Centre. This has helped us to considerably increase our operational efficiency and capacity. In addition, it has enabled us to provide weekly IT classes to Third Agers using university students as volunteer teachers and new projects such as photography and digital camcorder training. The digital cameras have been used by Third Agers in project work – currently they are being used to produce designs for new billboards that will surround local building works." *Tony Bloor, Third Age Project Manager.*



How we gave (£)	2008	2007
Three year grants and central donations	710,197	562,752
Matching staff fundraising	778,408	592,131
Community Partnership Groups	803,987	740,429
Local branch donations	24,110	365,525
Who benefitted	2008	2007
Education	905,042	1,045,157
Community regeneration	408,431	331,783
Financial advice	402,886	357,851
Relief of suffering	488,916	375,852
Other causes	111,426	141,194
Number of donations	1,374	1,273



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 reporting a company's community involvement.

Long-term Support

In 2007 we introduced a proactive three year grants programme targeting charities which could promote financial capability or to improve the environment. In 2008 we undertook a further four three year partnerships.

Citizens Advice Bureau – Great Ormond Street Children's Hospital

The link between poverty and ill health is now well established and mental health can also be adversely affected by the stress caused by money problems. Families of sick children at Great Ormond Street Hospital often have to travel long distances and may need to stay at or near the hospital for several months. Unsurprisingly, for many this means increased costs, coupled with a reduction in income and debts, which can become unmanageable.

Recognising that advice and advocacy can assist families who would find it difficult or impossible to access external services and it is a potential health benefit for those who receive advice, Camden Citizens Advice Bureau and Great Ormond Street Children's Hospital worked in partnership, with Abbey's funding, to set up and provide a service based in the hospital. The service, the first of its kind in London, works closely with Social Services, family support workers and the Patient Advice and Liaison Service, identifying those in greatest need for referral.

Community Foundation for Northern Ireland – Effective Development Fund

The Community Foundation for Northern Ireland is acutely aware of the changing context that community and voluntary organisations are likely to face in this region with the decrease in European Union financial support, and in particular the run down of the PEACE funding programmes.

Abbey's three year funding will be used to provide support, information and training to local groups on making effective applications to a wide variety of UK funders. In the first year a pilot programme will be run with the women's sector, followed by an initiative targeting the rural community network. The Foundations will also work with the Northern Trust Group and Northern Ireland Council for Voluntary Action to set up a website offering information and other resources on gaining funding from UK trusts and foundations.

BTCV – Easington Green Futures Programme

The aim of this project is to bring local people together on practical environmental and training activities. These activities will not only improve the lives of the participants but also enhance local green spaces around Sunderland. With Abbey's funding, the three year programme aims to engage people from Easington in community and environmental activities and offer personal and vocational development. Up to 250 people are expected to be involved with the project over the three years.

Housing Association Charitable Trust

Unemployment is often concentrated in social rented housing, with less than a third of social housing tenants in paid employment which contributes to entrenched poverty, over indebtedness and financial exclusion. Social housing providers play a key role in developing neighbourhood-based projects aimed principally at helping their tenants – and often the wider communities in which they operate – into work.

"Abbey Action" is three interlinked projects examining innovative and sustainable models in which housing associations can participate in tackling unemployment among vulnerable groups of people living in areas in the North of England, Birmingham and London.

The projects will focus on getting women into work, in particular Asian women, those with mental health problems and refugees, and training front-line housing staff.

	2008	2007
Total No. of volunteers	576	460
No. ACE projects	47	28
Value of all volunteering time	£42,000	£34,360

Time for the community

In 2008, over 500 employees participated in our ACE (Abbey Community Events) programme, which resulted in 47 community projects being supported in nine regions around the country. Through this scheme employees can share their expertise and provide valuable support to local charities through a day of volunteering. This initiative has enabled many groups to continue the partnerships they established with community organisations in the first ACE last year, thus strengthening local links, and in 2008 the equivalent of over 3,750 hours were donated.

Abbey directors took part in ACE this year and Chief Finance Officer, Nathan Bostock and a team of fellow directors worked with London Wildlife Trust at Camley Park to improve the wildlife habitat. As well as outdoor activities, teams took part in educational projects. The Legal and Compliance team, led by Company Secretary, Karen Fortunato, worked with pupils at the Queen Elizabeth School in Barnet on Presentation Skills. The students produced a business plan for a fashion show and presented their proposal to judges. Another group supported a Young Enterprise Primary Programme event at Achland Burghley School in Camden and helped children learn about communities.

In Glasgow, as well as volunteering as reading partners with Knightswood Primary School, the Business Banking team helped create a recycled plastic bottle greenhouse for the children. Muriel Webster, a teacher at Knightswood said, "The Abbey staff are familiar faces at the school with their reading volunteering so it's great that they've been able to help the pupils in a different way with the greenhouse project."

Partnerships in the community

Employees can request up to 35 hours per year of work time to enable them to give additional help to charities. Through this support staff have taken on roles such as trustees, hospice workers and advisors.

For four years we have supported School Governors One Stop Shop, recruiting governors for schools. To date we have had 15 employees become School Governors and in 2008 nine employees were either placed or awaiting placement with a school in their area.

A unique mentoring project was also launched in October 2008 pairing four Abbey directors with four CEOs from Age Concern. The scheme was beneficial to both parties in that it offered the charity support at a time when it was being merged with Help the Aged, something we had direct experience of having been acquired by Santander in 2004, and an opportunity for Abbey directors to hone their leadership skills.

Overall the contribution made by Abbey employees volunteering in the community in 2008 equates to a value of £42,000.

Fundraising success

We launched a Charity of the Year scheme in 2008, partnering with Great Ormond Street Children's Hospital in the first year. We pledged to raise £50,000 through branch and head office fundraising campaigns for a playroom in the Oncology Ward and were overwhelmed by the tremendous support of both staff and customers. In February the 'Kiss it Better' campaign in branches raised £35,000 through pin badge sales. Other highlights included the Services team in Milton Keynes who hosted a Go-Kart Racing Day and auction, which raised over £15,000 and a Corporate Banking team who hiked Hadrian's Wall and raised over £20,000 for the charity. By the end of the year the amount raised was over £140,000, which enabled us to fund an additional arts project called 'Go Create' that will run for three years.





Staff recognition

Many of our employees give their own time to charities they feel passionate about and we are keen to support them in these pursuits. The annual Abbey Community Award recognises employees who make a significant contribution to community organisations. This year four employees and two teams were recognised, receiving donations to their favoured community causes:

- Jane Holt, Branch Manager, Cheam, overall winner. Jane has spent the last 13 years coaching her local football team and hosting a Bingo evening for retired residents. Jane received a £1,000 donation for the football team which will provide new kits for the players.
- Rachel Nash has been a Special Police Constable in Milton Keynes for over two years, as well as a School Governor with a primary school. Her donation of £500 was split between Thames Valley Special Constabulary Welfare Fund and Cancer Research UK.
- Phil Hargreaves has supported Teenage Cancer Trust for over four years and has put his musical talents to good use and organised concerts for the charity. He has raised over £40,000 in this time and his award donation of £500 went to them.
- Sarah Clark has been a tremendous charity ambassador and for six years has fundraised for both local and national charities such as Maggie's Hospice, Marie Curie Cancer Care, Breast Cancer Campaign and many more. Her award donation of £500 went to Holly Brook School.
- In recognition of their outstanding fundraising efforts for our Charity of the Year the teams that completed the Hadrian's Wall Hike and organised the Go-Kart Racing day were recognised and their awards went to the Suffolk Punch Trust and Great Ormond Street Children's Hospital respectively.

Commitments for 2009

We will consolidate the community programs of Abbey, Alliance & Leicester and Bradford & Bingley in the following ways:

- Establish Community Partnership Groups in Leicester and Liverpool
- Extend the terms of the Abbey matched donation scheme to all employees
- Create a group-wide volunteering scheme under the 'Community Days' banner
- Review sponsorship arrangements to ensure a mix of national and local partnerships that support all main office locations
- Introduce a matched payroll giving initiative



Universities

Commitment to Higher Education

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.

By establishing partnerships with universities across Latin-America and Europe, the Group has developed a unique collaborative network with global reach. The programme was launched in the UK in 2007 bringing the benefits of Santander Universities to 10 institutions.

2008 saw the further expansion of Santander Universities in the UK and by the end of the year agreements were established with a total of 31 institutions, equating to £1.8m pledged in support for the higher education sector.

The agreements, for an initial three year period, are bespoke in order to meet each university's needs and priorities. The most common areas of investment are for staff and student international mobility, research, and knowledge transfer.

The partnership agreements cover a broad range of collaboration themes and between Santander Universities and the individual institutions CEO lectures, sports programmes, 'dragons dens', choir tours, visiting fellows and fresher awards have all been facilitated.

UK programme highlights

- 190 international scholarships and research awards
- 150 post-graduate scholarships to the UK
- 48 non-academic community awards
- 18 enterprise and entrepreneur awards
- 8 business incubators

Fostering entrepreneurship

Support for practical enterprise and entrepreneurship is a key strand of the Santander Universities programme. In 2008, with the growing demand for innovative business solutions to climate change and environmental challenges, Santander Universities has been keen to foster research and development projects in this area.

At the University of Bath, Santander Universities sponsored the launch of an MBA project 'Entrepreneurship in Action'. The first prize of £3000 went to the plan believed to have the best commercial potential: 'Cambio' - a business idea centred on generating renewable energy from organic waste products.

Oxford Brookes University's environmental motorsport team has developed a hybrid vehicle that took part in Silverstone's Formula Student Competition in July 2008. The 'green' car combines the use of petrol and electricity to provide a more environmentally friendly alternative to traditional rally and racing vehicle fuels. The use of biofuels is one of the main areas of study for research and development within the motor industry and Santander Universities has provided sponsorship for the Oxford Brookes students to support their cutting edge work towards the development of more sustainable energies.

Extending value

The Santander Universities model not only provides scholarships and event sponsorship but also responds to the banking needs of the university community through the development of targeted products and services.

This year saw the launch of a Santander international student account, a solution to the often lengthy process international students face when opening a bank account on arrival in the UK. With the Santander account, students only need to provide the letter of acceptance from the university and one further form of identification to open an account.

And in order to make banking more accessible for the university community seven Santander Universities branches were opened in 2008: Bath, Essex, Leeds, Loughborough, Southampton, London and Oxford Brookes.



With university campuses often far from city centres and both students and university staff having difficulty reaching banking facilities within working hours, the branches offer extended opening hours. The Santander branches are open from 10am to 6pm Monday to Friday, ensuring staff are available to provide financial advice and customer service to the local community.

Global Santander Universities in 2008

- 700 collaboration agreements with Universities in 20 countries including Spain, Portugal, Morocco, China, USA, Russia, UK and across Latin-America.
- 2,820 academic, financial and technological collaboration projects funded.
- 4m university smart cards in circulation.
- 14,665 scholarships, internships and awards.
- 6,840 international mobility scholarships.
- 35 business incubator projects.
- 300 new university businesses.

Two major global projects are also part of the Santander Universities programme:

- Universia, the largest online university network, with 1,100 universities in 11 countries.
- The Miguel de Cervantes Virtual Library, the most important Hispanic literature internet portal with the largest volume of Spanish content and number of users in the world.

The breadth and richness of content have made both projects a consolidated source of knowledge and advice for university communities around the world.

Vice-Chancellors' Roundtable

As part of the Santander Universities programme in the UK, Abbey held the first Euro/Latin-American Vice-Chancellors roundtable meeting, hosted by CEO António Horta-Osório and attended by the President of Banco Santander, Emilio Botín.

In all, ten UK and eight Latin American Vice-Chancellors from renowned international universities attended the meeting to share ideas and knowledge between the institutions. The main topics of discussion were the international mobility of university students and staff, knowledge transfer and networking.

The meeting concluded with a commitment from the attendees to strengthen the collaboration of institutions through the Santander Universities network and to continue working towards the promotion of research, innovation and internationalisation.



2008 saw the further expansion of Santander Universities in the UK and by the end of the year agreements were established with a total of 31 institutions

Environment

Managing our Impacts

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 2008, Abbey's branch network remained fairly static, ending the year at 710 sites. Rationalisation has taken place within the head office buildings, increasing density but with no major closure within the estate. Better use of the building and incorporation of smarter and more efficient working 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. In 2008 we implemented a range of projects to reduce energy consumption within our head office and branch buildings and reinforced messages to employees on recycling and reducing waste.

Energy consumption

As our business grows, there is a corresponding increase in IT requirements which has an impact on energy usage. The installation of major new IT equipment in 2008 has reduced the impact of savings which had been achieved through changed behaviours and energy efficient plant. With staff occupation in the major buildings growing in density, as a result of the property consolidation programme, there has also been an increase in energy usage seen in our head office sites. Despite this small rise in energy consumption in our main office locations, overall, with the branch network, our energy usage in 2008 saw a reduction of 18%.

Main office investment

During the year, just under £7m was spent on energy reduction initiatives via environmental plant controls. This included upgrading mechanical and electrical equipment, which has assisted in an overall reduction in consumption across Abbey's properties. The majority of these works have been carried out in main head office sites including Glasgow and Milton Keynes.

For 2009 further works are planned for heating and air conditioning equipment upgrades with other means of reducing consumption also being considered. The replacement of chiller equipment, which took place during the year is expected to result in a future reduction of electrical consumption of 30% whilst significantly reducing ozone depleting potential due to efficiencies of the new machinery.

Branch network initiatives

The Energy Team continued to drive forward energy reduction initiatives throughout the Abbey retail branch network in 2008. The team identified and implemented a range of technical solutions and business initiatives, supported by our facilities and energy management contractors and branch energy champions.

A total of 103 branches were fitted with new heating, ventilation and air conditioning (HVAC) systems with energy efficient controls and a further 100 branches had new energy efficient lighting schemes and controls installed.

The full installation of 'smartbox' technology was completed in 2008. This market leading technology allows greater web based control to a range of systems and enables more efficient measuring and monitoring of energy consumption in individual buildings. Since the introduction of this technology carbon savings have been over 4,000 tonnes.

Abbey facilities managers conducted annual energy surveys in a sample of branches throughout the UK to identify and prioritise where measures are most required. In addition, pre-planned maintenance visits were carried out pre and post-summer, specifically designed to reduce wasted energy.





Emissions

Electricity throughout 2008 has been supplied from either renewable or good quality combined heat and power (CHP) except for one site. A reduction in emissions was achieved in 2008 due largely to the investment in energy efficient plant and staff behaviours.

Activating employees

Employee-focused messages to reduce energy use and work differently were delivered throughout the year, including a "Switch it off" poster campaign and communication updates via presentations and the intranet. We trialed a new look "Switch it off" campaign in one retail region of 16 branches. The key messages were delivered by a local facilities manager at regional meetings and via email communications. An average 12% saving on energy consumption was achieved over the two month campaign.

Environment Champions

Line managers and the Champions roles have been vital in leading the way to change behaviours, providing feedback and ideas to our Property and Service teams. In Glasgow, for instance, a desk top carbon reduction initiative saw a 50% reduction in the amount of IT equipment left on overnight with resulting savings in power consumption and office air conditioning. We continued to encourage branch-based energy champions in the use of energy saving checklists via local facilities manager branch visits.

Water

In 2008 water usage dropped again due to the rationalisation of the head office buildings together with a reduction in usage in the retail network.

	2008	2007	2006
Water (m ³)	171,599	196,710	238,998

Water usage is not recorded for 17% of branches, as this is included in the rent or service charge.

Waste

The amount of waste produced by Abbey rose slightly in 2008. This is due to a number of factors, primarily improved reporting systems.

The new recycling programme introduced in 2007 suffered minor set backs through the year due to cross contamination of waste. The percentage of recycling has dropped slightly due to this and is 73% for 2008 compared to 78% last year. A re-launch of better practice and awareness commenced towards the end of 2008 and is continuing throughout 2009. The focus on better behaviours will be supported by the Environment Champions at a local level.

Paper Review

In 2008, we conducted a review of the paper used in our office and marketing materials. With the rising cost of paper and the growing premium on recycled stock it was necessary to complete a wholesale review of all Abbey's paper usage. As a result, we launched new paper guidelines which sees all paper used for printing Abbey marketing material (including leaflets, brochures, letterheads and compliment slips) sourced from sustainably managed forests.

This change in paper stock not only helps the environment but will also help offset the global price increases on recycled paper stocks that would have meant Abbey spending an estimated extra £0.25m on paper in 2009. We also took this opportunity to adjust the weight of the paper we use and as a result of these initiatives it is estimated we will save over 5,000 trees per year. Going forward, all Abbey literature will feature the FSC tree logo or statement.

With regards to transactional items (banking, savings and credit card statements and customer letters), following a successful test of the new stock at our printing bureau we will be using the new paper for these materials from May 2009. We also hope to extend our use of FSC paper to cheque books later in the year.

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.

During the year we saw a decline in the use of short haul air travel within the UK of 16% and an increase in rail journeys of 11% as our staff changed their travel habits to the less polluting option, an additional benefit of the ongoing focus on cost savings across the business. Similarly, international flights reduced significantly in the year.

Whilst our overall business mileage and resulting CO₂ emissions reduced in 2008, our environmental impact per employee increased. We are committed to looking at ways to reduce our business travel in the future, including the promotion of car sharing schemes at our major sites.

Commitments for 2009

Abbey remains committed to keeping energy reduction at the forefront of our environmental improvement activities in 2009 with further capital investment planned to continue the successful implementation of measures seen during 2008.

- Trial of smartbox technology in newly acquired Bradford & Bingley branches.
- Installation of new energy efficient HVAC systems into a further 60 branches.
- Installation of new energy efficient lighting schemes into a further 50 branches.
- National re-launch of the 'Switch it Off' campaign into branches via roadshows, with the introduction of incentives for best performing branches and regions.
- Target a further 5% saving in addition to 2008 electricity consumption savings.

	2008	2007	2006
Energy			
Electricity (MWh)	125,807	135,899	152,465
Gas (MWh)	29,130	28,554	34,205
Total energy use by buildings (MWh)	154,937	164,453	186,670
% from renewable sources	11.4	10.8	9.8
% Combined Heat & Power	68.3	12.4	26
Total UK FTE	15,794	16,200	16,218
Total energy use by FTE	9.8	10.1	11.5
Emissions – CO₂ from energy use (tonnes)			
CO ₂ released	63,435	67,049	64,219
CO ₂ released per FTE	4.02	4.14	3.95
Waste (tonnes)			
Waste collected	5,363	4,646	4,038
Waste recycled	3,916	3,627	3,197

As with utilities data reported in previous years, the 2008 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 12 month average data for water and using most recently available billed data for gas and electricity taking into account a seasonal profile for gas. 3% of branches do not report electricity use directly as it is included in the rent or service charge for leased premises.

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 excludes 160 overseas employees as environmental reporting does not cover the three offices where these employees are based.

General waste data (e.g. kitchen waste, etc.) is not available for the majority of branches, as this is collected by local arrangements.

	Business travel (km)		CO ₂ from business travel (tonnes)	
	2008	2007	2008	2007
Air travel - domestic	6,506,149	7,587,568	1,120	1,078
Air travel - short haul Europe	7,544,245	7,548,082	1,072	1,300
Air travel - long haul International	2,439,886	3,201,654	281	369
Car	21,554,800	22,853,010	4,660	4,941
Rail	11,194,990	9,969,274	674	600
Total travel/emissions	49,240,070	51,159,588	6,687	8,288
Total CO₂ released per FTE			2.39	1.97

Figures for emissions cover 100% of our employees, based on FTE. Emissions are calculated using conversion factors in the DEFRA guidelines for greenhouse gas reporting (2007).



Suppliers



The Procurement team at Abbey oversees the buying of goods and services from other organisations. We spend around £665 million every year with our business partners and as the efficiency of our business increases the centralising of our purchasing has grown and taken on more importance.

In 2008 we refreshed our Cost Management & Procurement Policy to reflect our new system changes and added greater control with the implementation of our new SAP Purchasing system.

Our Cost Management Units (CMUs) continue to give Abbey increased cost control, based around our areas of significant spend:

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

Our largest suppliers are 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 over 2,500 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. This is overseen by our Procurement team of 15 buyers, with the cost management principles integrated into each business division. From the end of 2008 our Procurement services were transferred into a Santander group function. During 2009, the team's main focus will be to increase the emphasis on appropriate and timely engagement of the Group's centralised procurement bodies.

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.

Recycling partnership

To support its overall recycling policy, Abbey investigated market specialists that could provide a fully-managed mobile phone recycling scheme to address the issue of redundant mobile phones and avoid 'e-waste'. A relationship was established with mobile phone recycling specialist ShP Limited, and four years on the partnership continues to be a successful one.

Abbey is now working with ShP Limited, to look into extending our recycling into other devices such as BlackBerrys and PDA handhelds.

Commitments for 2009

- Embedding the Procurement services function into the Santander Global Cost Management & Procurement Model.

CSR Indicators

PROFILE: STRATEGY AND ANALYSIS

GRI indicator	Page No
1.1 Statement from Chairman	4

PROFILE: ORGANISATIONAL PROFILE

GRI indicator	Page No
2.1 Name of organisation	2
2.2 Primary brands, products and services	5
2.3 Operational structure	5
2.4 Location of headquarters	5
2.5 Number of countries where the organisation operates	5
2.6 Nature of ownership and legal form	5
2.7 Markets served	5
2.8 Scale of the reporting organisation	5
2.9 Significant changes during the reporting period	6
2.10 Awards received in the reporting period	2

PROFILE: REPORT PARAMETERS

GRI indicator	Page No
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3.2 Date of most recent report	2
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3.5 Process for defining report content	2
3.6 Boundary of the report	2
3.7 State any specific limitations on the scope/boundary	2
3.8 Basis for reporting on joint ventures, etc	–
3.10 Explanation of the effect of any re-statements	–
3.11 Significant changes from previous reporting periods	–
3.12 GRI content index	30

PROFILE: GOVERNANCE

GRI indicator	Page No
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4.2 Indicate whether the chair is an executive officer	5
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4.4 Mechanisms for employees to provide recommendations to the directors	17
4.14 List of stakeholder groups engaged	2
4.15 Basis for identification and selection of stakeholders	2





ECONOMIC PERFORMANCE INDICATORS

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ENVIRONMENTAL PERFORMANCE INDICATORS

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EN-16 Greenhouse gas emissions	28
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SOCIAL PERFORMANCE INDICATORS: LABOUR PRACTICES

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SOCIAL PERFORMANCE INDICATORS: SOCIETY

GRI indicator	Page No
SO-1 Nature of operations with communities	20

SOCIAL PERFORMANCE INDICATORS: PRODUCT RESPONSIBILITY

GRI indicator	Page No
PR-5 Practices related to customer satisfaction	13

– Nothing to report



ASSURANCE STATEMENT

SGS UNITED KINGDOM LTD'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE ABBEY NATIONAL PLC CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2008

NATURE AND SCOPE THE ASSURANCE

SGS United Kingdom Ltd was commissioned by Abbey National plc to conduct an independent assurance of the Corporate Social Responsibility Report 2008, including the text and 2008 data in accompanying tables, contained in this report.

The information in the Corporate Social Responsibility Report 2008 of Abbey National plc and its presentation are the responsibility of the directors and the management of Abbey National plc. SGS United Kingdom Ltd has not been involved in the preparation of any of the material included in the Corporate Social Responsibility Report 2008. 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 (2008). 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. The assurance comprised a combination of interviews with relevant employees at the Head Office in London and Milton Keynes; documentation and record review and validation with external bodies and/or stakeholders where relevant, the suppliers of energy and paper and the evaluation of the report for Materiality. The report content has not been evaluated against the GRI principles. 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 affirms our independence from Abbey National 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 Practitioners and an 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 the Corporate Social Responsibility Report 2008 verified is accurate, reliable and provides a fair and balanced representation of Abbey National plc's sustainability activities in 2008. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

COMMENT ON MATERIALITY

In our opinion, the Abbey National plc report has for the most part taken into account the issues material to the organisation. The report addresses the critical issues of credit crunch, the global financial crisis and climate change and those issues relevant to individual stakeholder groups. In addition it addresses those issues material to the organisation itself such as the previous poor reputation on customer service and the affect on the business of the influence of Santander ownership and has referenced the take over of Alliance & Leicester and Bradford & Bingley. Materiality could be improved by the inclusion of ethical investment (Abbey National plc has a policy but no report content on processes, practices or performance against this).

Signed:

For and on behalf of SGS United Kingdom Ltd

Pauline Earl, Managing Director
18 May 2009

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