

Corporate Social
Responsibility Report 2009

09



This is Santander UK plc's (Santander UK) tenth annual Corporate Social Responsibility Report (CSR). It covers activities relating to Santander's operations in the UK for the period January to December 2009 and takes into account developments at the beginning of 2010 where they have a bearing on the content of the report. This is the first year that we have produced a consolidated report, combining Abbey information with Alliance & Leicester and Bradford & Bingley savings, and as such it is the first report covering the newly enlarged UK business.

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 Santander at the back of the report (p. 32). The CSR team has responsibility for defining the content for the report and it works with representatives from around the business for the CSR stakeholder groups – customers, employees, communities, environment and suppliers – in order to prepare the material.

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.aboutsantander.co.uk > csr.

Contents

Introduction	4
Company profile	5
Taking responsibility	8
Customers	10
Employees	15
Communities	20
Universities	24
Environment	26
Suppliers	30
Independent verification statement	31
CSR indicators	32

Introduction

2009 has been a very successful year for Santander despite the turbulent market conditions. We increased our profits, underpinned by sustained, prudent lending and growth in deposits.

We continued to focus on our customers, driving efficiencies across the business and reinvesting these cost savings in new innovative products and services. Our ability to offer better value-for-money products resulted in more 'Best Buy' mentions in the press than any other UK bank and has supported a significant uplift in new business.

This success is important in two ways. Not only have we demonstrated the value of the Santander business model for UK customers, but we have also been able to support the UK economy with increased lending to homeowners and businesses.

Our 2009 results are the culmination of five years' hard work transforming the UK business since we became part of the Santander Group. Alongside this has been the development of our CSR programme and our initial three-year plan which sought to improve our response to issues of responsible banking.

We have made tremendous progress in addressing our CSR priorities, steadily increasing our support as the business has become more successful. Of particular note is the introduction of the Santander Universities programme into the UK, helping to support education at a time of economic uncertainty.

Our progress on employee diversity over the three years has been recognised externally by Opportunity Now and we will be redoubling our efforts to support disadvantaged groups with a focus on gender equality, led by the Santander Group's new policies. Since 2007 we have seen employee involvement in community activities more than double due to the creation of new volunteering and fundraising schemes. And our efforts in reducing carbon emissions have resulted in a 10% decrease in energy use over the three years, ahead of the Carbon Reduction Commitment taking effect.

The rebranding of our businesses to Santander will be completed in 2010, a significant milestone towards achieving our vision of becoming the best commercial bank in the UK. As the UK emerges from recession we remain optimistic about our prospects and as our business grows we will be taking a greater role in addressing the key sustainability issues in the UK. This will see us making a step-change in our approach to CSR over the next three years, increasing both our investment and our involvement in sustainability activities.



A handwritten signature in black ink, which appears to read 'T. Burns'.

Lord Burns
Chairman

Company profile

Santander is the second largest provider of residential mortgages and the third largest deposit taker in the UK. We are one of the leading providers of banking services, savings and protection in the country.

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

Governance Structure

Santander UK plc is a wholly owned subsidiary of Banco Santander, S.A. As at 31 December 2009, the Santander UK Board 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 maintains two standing committees: the Audit and Risk Committee and the Remuneration Oversight Committee.

Business Divisions

- Retail Banking – offers residential mortgages, savings, banking and other personal financial products.
- Corporate Banking – offers banking services to small and mid-sized UK companies.
- Global Banking & Markets – provides financial markets sales, trading and risk management services, as well as manufacturing retail structured products.
- Private Banking – offers private banking and other specialist banking services.

Support Divisions

- Retail Products and Marketing – responsible for integrating and gaining the maximum value from Santander UK's products, marketing and brand communications.
- Human Resources – responsible for delivering human resources strategy and personnel support.
- 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)
- Strategy & Planning, Financial Accounting & Economics
- Corporate Services (legal, secretariat, compliance and regulatory risk management)
- Service Quality
- Communications
- Santander Universities

Business Update

Our UK business continued to thrive in 2009. Our position was strengthened by the acquisitions of Alliance & Leicester plc and the Bradford & Bingley savings business, and we now have market shares of around 10% in each of our core retail markets of mortgages, savings and bank accounts. The business combination with Alliance & Leicester also accelerated our growth into the small and medium-sized enterprises (SMEs) market, a key step forward as we continued to develop the range of services we provide and move towards our ambition of being a full service commercial bank.

We continued to focus on our customers, driving efficiencies across the combined businesses and reinvesting these cost savings in innovative and value-for-money products and services for our customers. In 2009, our ability to offer better value-for-money products resulted in more 'Best Buy' mentions in the UK press than any other UK bank, and has supported a significant uplift in new business.

Operating Highlights

- Opening over 1 million new current accounts, a 21% increase from 2008
- Increasing investment sales by 25% compared to a wider market decline of c.13%
- Being a consistent mortgage lender in difficult times, with £7.6bn of net lending
- Increasing lending to SMEs by 16% compared to 2008 by leveraging relationships via the 20 regional corporate centres acquired as part of Alliance & Leicester
- Growth in net deposits of £14.9bn across Retail, Corporate and Private Banking customers, demonstrating that Santander UK is seen as a 'safe haven' for UK savers
- Strong revenue performance in Global Banking & Markets, taking advantage of favourable market conditions in interest rate and equity markets.



Integration and Rebrand

In January 2010, we completed the rebranding of Abbey and Bradford & Bingley's savings business to Santander. Our customers are already seeing the benefit of the increased number of Santander branches and in addition, we extended the range of our products and services available to customers of Bradford & Bingley's savings business. The rebranding of Alliance & Leicester is expected to be completed by the end of 2010.

Summary Financial Highlights

- Personal Financial Services trading profit before tax increased by 31% to £1,912m (£1,465m in 2008)
- Personal Financial Services trading income was up 20%, driven by a strong performance across all business divisions.

Looking Ahead

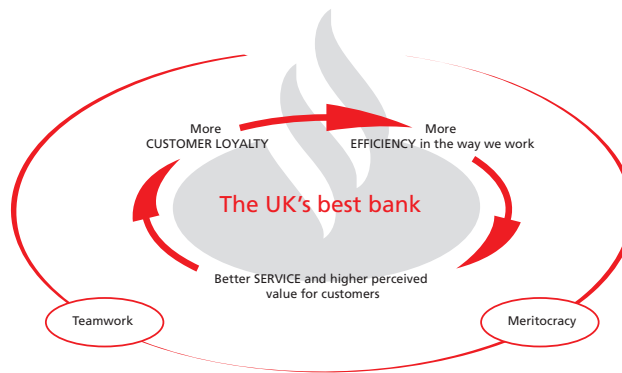
Rebranding to Santander is a significant step towards achieving our vision of becoming the best commercial bank in the UK.

Our business model remains the same, we will continue to focus on managing risk and prudent lending while growing our business, and we will continue to prioritise improving our service and putting customers at the heart of everything we do.

Over the next few years we want to increase the number of products each of our customers holds through increasingly competitive and market-leading products. We'll launch similar products and initiatives to the Zero current account to reward our 25 million customers and we are confident this approach will continue to set us apart from other UK banks.

Summary

2009 has been a very successful year for Santander UK. 2010 will mark a further significant step in our business as we complete the integration and rebranding of Alliance & Leicester. Against this background, and with the ongoing benefit from being part of the Santander Group, we believe that our UK business continues to be well-positioned for the challenges and opportunities ahead.



Santander UK Business Model

Economic Data

	2009	2008
1. Operating highlights (£m)		
Pre-tax profits	1,690	1,094
Net attributable income	1,245	819
2. Balance sheet (£m)		
Reserves ¹	6,506	5,986
Total Tier 1	6,438	5,387
Total assets ¹	285,291	297,310
Total customer funds ¹	143,893	130,245
3. Management ratios (%)		
PFS trading cost: income ratio ¹	42	50 ²
Tier 1 ratio	9.5	8.5
4. Social contribution (£m)		
Salaries and other staff costs	905	695
Taxes on continuing operations	445	275
Community contribution	6.0	4.9
5. Key data		
Number of customers (million)	25	16.8
Number of employees (full-time equivalent) ³	24,434	15,954
Number of branches	1,300	710

1. 2008 Balance Sheet numbers amended for the transfer of Alliance & Leicester into the company. Please see note 47 within the Annual Report.

2. Including Alliance & Leicester

3. Total number of employees in the UK as distinct from Santander UK plc employees (2009: 19,483 / 2008: 22,669²)

Detailed information about our business performance and activities is available on our corporate website at www.aboutsantander.co.uk

Taking responsibility

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

At the beginning of the year, we carried out a review of the Alliance & Leicester and Bradford & Bingley CSR activities and created an integrated approach, combining them with Abbey's activities.

During 2009, the Executive Committee received two presentations on CSR. The first in July focused on the achievements to date on CSR at Santander UK and the opportunities to develop the programme further. The second in September covered a proposed new three-year plan for CSR from 2010-12 and this was approved at the meeting.

The Santander UK Board is provided with an annual update on CSR activities and from 2010 the Executive Committee will receive quarterly updates on the progress of the new CSR plan.

CSR Strategy

This was the final year of the CSR three-year plan (2007-9) and our focus was on making progress on the seven gap areas identified in 2007 and increasing investment into the new flagship university, diversity and volunteering programmes.

We have made tremendous progress since the launch of the three-year plan on the majority of our priority areas, as outlined in the table opposite. Some of our targets were not met however, due to a number of factors, including other business priorities taking precedent at a time of great change in Santander UK, and across the banking sector as a whole. We will look to address these outstanding areas over the coming year; in particular we will focus further on financial inclusion and capability, climate change and supply chain management.

Three Year Plan Highlights

Employees

Diversity

Diversity training delivered to c. 800 directors and senior managers
Inclusion & Diversity steering group established, chaired by a senior retail director
Launch of 'Passport to Balancing your Life' policy and scheme
Increase in Opportunity Now benchmark scores of 26%

Communities

Donations

Introduction of three-year funding programme with £150,000 grants

Volunteering

'Community Days' team challenges launched, doubling staff volunteers
Inclusion of volunteering within HR skills development

Fundraising

Launch of a 'Charity of the Year' programme raising £140,000 for Great Ormond Street Hospital and £210,000 for Help the Hospices

Universities

Partnerships with 36 of the UK's leading universities
Over £3m contributed to institutions around the UK

Environment

Energy

Investment in energy efficient lighting, heating and ventilation systems
10% decrease in energy seen over the three years

Waste

Introduction of central recycling stations at head office sites

Paper

Launch of a new paper policy to use FSC paper for head office and customer materials



CSR Programme Model



In developing our new three year plan we looked to ensure the CSR programme contributes to and is complimentary with our vision to be the best commercial bank in the UK. We have re-focused our activities to bring them closer into line with the Santander Group approach which is based on three pillars of activity: supporting higher education, social action and environmental protection.

As our business has become more successful over the last three years we are now able to begin to increase our investment in CSR activities. As such, we have committed to doubling our spend by 2012. This new funding will be focused primarily on supporting projects across the education theme. We will be growing the Santander Universities programme in the UK, addressing financial literacy and exclusion, developing our employee volunteering education programmes and launching a new CSR Education Fund.

We will continue to progress our actions in the other CSR areas and will be looking in particular at building on our inclusion and diversity programme, taking a greater role in addressing climate change and working with our supply chain on CSR actions.

Banking Industry Update

Competitive Environment

The economic environment in 2009 remained very difficult, with falling house prices, volatile share prices, rising unemployment, and difficulties facing banks, homeowners and savers. The UK's retail banks underwent further significant changes, with the Government increasing its holdings of shares in Royal Bank of Scotland Group plc and Lloyds Banking Group plc. The Government continues to support UK banks during the current market turmoil through the Special Liquidity Scheme, the Asset Protection Scheme, the Credit Guarantee Scheme and the UK Banking Act 2009.

2010 is expected to be another difficult year for the UK economy. Whilst the Bank of England and the UK Government are expecting that the UK economy will grow in 2010 and we will emerge from recession the pace of that growth may well be slow and economic prospects, both in the UK and globally, remain subject to considerable uncertainty. Unemployment is predicted to remain high, resulting in continuing difficulties for banks, homeowners and savers.

The outcome of the European Union's review of the Government's support for The Royal Bank of Scotland Group plc and Lloyds Banking Group plc may also trigger further restructuring of the retail banking sector in the UK.

Funding, Liquidity and Capital

We have continued to manage our balance sheet prudently, having reduced our reliance on short-term funding over the course of 2009 by increasing our customer deposits and further reducing non-core assets. At the same time, we have been able to support the UK economy with continued strong commercial lending which has been more than matched by a larger increase in net deposit flows. In doing so this has improved our loan to deposit ratio to 126% (136% in 2008).

Whilst the various UK Government schemes to support the banking sector were welcomed by Santander UK we have chosen not to participate in them.

Santander Group CSR Policy

Supporting education

Investing in education is the best way to contribute to the social and economic progress of the communities where Santander has a presence.

Social action

Santander contributes to cultural, social and educational development through projects which encourage the participation of employees and customers.

Environmental protection

The group is committed to carrying out its banking activity in an environmentally friendly manner and promoting initiatives that aid the protection, conservation and recovery of the environment.

Customers

Value for Money

Continuing to deliver great value has been a focus for Santander UK in 2009. This was clearly demonstrated with the opening of one million new bank accounts, a testament to the growing popularity of our products in the marketplace.

In June 2009, we launched the 'Reward' packaged account which can provide over £400 in benefits for £10 per month. Both Santander UK's Preferred In Credit Rate (PICR) and Alliance & Leicester's Premier Direct accounts provided 6% interest on credit balances, over 60 times some competitors who provide 0.1% or nothing at all.

Mortgages

In 2009, we provided 1 in 5 mortgages in the UK. Gross lending was £21bn for the year, resulting in a 14.7% estimated market share and making us the UK's second-largest mortgage provider. For our loyal current account customers we launched a range of current account linked discounted mortgages. These included two and four year fixed and tracker offers and up to 90% loan to value (LTV).

We were committed to having a constant presence in the 'Best Buy' tables throughout 2009. First time buyers were a key focus and we introduced specific products for them including a three-year fix at 5.99% with a £495 fee up to 90% LTV. It also came with a homebuyer solution – a free valuation and £250 cashback on completion.

In May and June, we ran a campaign offering 'our best rates in 10 years' and in September we launched a 'free legal's' mortgage. It offered a free legal package included within the mortgage price and was available through our intermediary channel.

And in November we announced the launch of a new ground-breaking fee-free Santander 'Zero Current Account', a bank account for Santander UK's mortgage customers, to ensure loyalty is rewarded. The account was introduced in January 2010.

Credit Cards

In March, we launched a new market-leading credit card with a 15 month balance transfer period to help customers more effectively manage their existing card balance. The card was designed to appeal to people looking for a great value, straightforward card and it also offered one of the best rates on ongoing purchases and spending, which meant it was very well received by customers.

In May, we re-launched our popular 'Zero Credit Card', offering fee-free foreign exchange abroad, 0% interest on balance transfers for 12 months, 0% on purchases for three months and a zero cash withdrawal fee. In addition, to celebrate the rebrand to Santander Cards in June, we announced that customers with an existing Santander credit card would also benefit from fee-free foreign

usage during June and July, helping to make their holiday spending abroad less expensive.

Savings

During 2009 we launched a range of savings products including a number of fixed rate bonds offering secure interest rates for customers that wanted sustained value with no risk to their capital. The 'First Home Saver' continued to deliver excellent rates and incentives for first time buyers, whilst the 'Fixed Rate Monthly Saver' offered one of the best rates in the market for people who wanted to save each month and be rewarded for doing so.

The Alliance & Leicester 'Online Monthly Saver' saw another leading rate being offered to customers who wanted the ease of banking online. And all our brands continued to offer competitive ISA products allowing customers to take advantage of their tax free savings allowance.

Youth Banking

Customers with a young people's bank account (16 to 21 year olds) were able to enter a draw for a place on a Celebrity Masterclass event which provided mentoring support for those starting out in their working life. This annual Alliance & Leicester scheme was extended to Santander UK customers in 2009 and the series included appearances by Denise Van Outen, Danny Cipriani and McFly. Each gave an insight into the industries in which they work, and the different careers which might be available. In total over 300 young people have participated in the scheme since its launch three years ago.



Online Security

In order to help combat internet-based fraud on bank accounts, we introduced a One Time Password system to provide an additional layer of customer protection. For Alliance & Leicester customers we introduced 'Rapport' software, which acts as an additional firewall. It is free to download and protects the customer's banking details from fake websites.

Small Businesses

We actively supported the growth of the SME market in the UK in 2009. We believe the best way to help our thousands of small and medium-sized customers is to treat every one of them as an individual.



Reward Bank Account
Put together to give you more

6% AER (on balances up to £1,500 for 12 months)

ANNUAL WORLDWIDE FAMILY TRAVEL INSURANCE

UK CAR BREAKDOWN COVER

IDENTITY PROTECTION

All this and more for just £10 per month

■ All the great features of the Abbey Bank Account, plus a range of insurance and identity benefits.

■ No benefit from the 6% AER (fixed) rate customers must pay at least £1,000 into the account each month.

■ Rate changes to 1% AER (variable) after 12 months on balances up to £1,500.

■ Rate is 0.10% AER (variable) on balances over £1,500 or if requested credits are not made.

Ask here today
0800 222 399
www.abbeysbanking.com

Abbey
More than just your money

Part of the Santander Group

Our Business Banking division understands the challenges faced by SMEs and in 2009 we increased lending to small and medium sized businesses by 16%. Nearly 75,000 small business owners chose to open a business current account with Santander UK and a number of key trade associations made us their banking partner, endorsing our products to their members.

We continued to offer good value products and services, helping small businesses to lower their costs and make a real difference to their bottom line. We launched a number of market leading deposit products, including a range of fixed rate bonds and the 'Direct Saver' and 'Reward Saver' products which offered some of the best rates of interest on the high street.

This value was highlighted in March 2009, when Business Moneyfacts named us 'Business Bank of the Year' and 'Best Business Current Account Provider' for a record seventh consecutive year.

We continued to invest in the service we provide to small business customers, recruiting 86 Small Business Advisors and 10 Relationship Managers in 2009. And we increased the information and advice available to small business owners via our website, producing a number of guides under the banner of 'Coping with the downturn', which looked at topics such as, managing cashflow, key issues in running your business, budgeting and cost control.

Essex County Council

In a significant development in British banking, Santander UK and Essex County Council (ECC) made available an initial £30 million in loans and overdrafts to local businesses in 2009.

The groundbreaking 'Banking on Essex' scheme is in direct response to the recession and is designed to support SMEs within Essex which are struggling to access funding through high street providers. Loans and overdrafts of up to £100,000 are available for eligible Essex businesses employing less than 250 people, with a turnover of less than £25m. Santander UK is providing the credit and process capability, together with a full banking infrastructure.

Corporate Banking

Our Corporate Banking division was further developed in 2009 with the Alliance & Leicester business facilitating a significant step change in the size and scale of our offer for both regional corporate banking and large corporates. Our Regional Banking Centres are strategically placed in key commercial locations throughout the UK

and our Large Corporate Group looks after a closed list of large corporates nationally through tailor made solutions. We have a number of specialist units including Real Estate, Social Housing, Aviation and Structured Finance which provide in-depth sector specific information for our customers.

Post Office

Santander UK has a strong presence in the local community through our partnership with the Post Office network, inherited from the Alliance & Leicester business, and this expanded further in the year as we extended our partnership until 2016. We also opened up the Post Office channel to our Business Banking customers from 2010. Reflecting our close relationship with the Post Office we have agreed to joint marketing initiatives at both a national and regional level.

Social Housing Lending

Santander Corporate Banking continues to build long term relationships with social housing customers. We aspire to be their key banking partner, not just a finance provider, and take time to listen and respond with bespoke solutions to suit their needs.

Delivered by the Social Housing Finance team, we are a market leader, with commitments of over £8 billion to almost 300 Registered Social Landlords (RSLs), spread across the UK.

Demand for good quality affordable housing in the UK has never been stronger and significantly outstrips supply. By investing in the sector, we are supporting RSLs' ongoing development and repair programmes. Throughout 2009, despite the global financial crisis, we remained firmly 'open for business' and delivered bespoke funding and treasury solutions to over 50 RSLs, many of which were new customers to Santander. As the sector continues to grow and diversify we are committed to being at the forefront of developing efficient and effective solutions that meet the current and future needs of social landlords.

Origin Housing

Origin Housing's new development in Regent's Place, Camden will provide 65 one to five bedroom homes as social housing and 27 'intermediate' subsidised rented homes for residents on low incomes. The scheme was developed by British Land and designed by the renowned architect Terry Farrell and is being part financed by Santander UK.



Financial Inclusion & Capability

Santander UK 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 strategy is to focus our efforts on the priority areas identified by the Financial Inclusion Taskforce, the body set up by the UK Government to promote financial inclusion. The priority areas are basic banking, money advice and affordable credit.

Basic Banking

Santander UK 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. For 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.

The Santander and Alliance & Leicester basic bank accounts can be accessed over Post Office counters and they provide 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.

A key development during 2009 was the achievement of the 'shared goal' – between the Government and major UK banks including Santander UK – to halve the number of adults living in households without access to a bank account. The Financial Inclusion Taskforce's October 2009 report on access to banking concluded that the number of adults without access to a bank account has fallen from two million in 2002/03 to less than 900,000 in 2007/08.

Money Advice & Affordable Credit

One of the funding priorities for the Santander UK Foundation covers activities which help disadvantaged people understand how to manage their money, such as budgeting skills and accessing affordable credit. During 2009 the Foundation provided over £660,000 to charities under this priority, an increase of over £230,000 from 2008.

Santander also contributed funding to Citizens Advice Bureau as part of its financial capability activities. The funding supported the organisation's money advice specialists in the north of England and was the third tranche of funding, initiated by Alliance & Leicester, for this project. Other activities include support for Career Academies where volunteers mentor school age students on business finance issues. Some of the students participating in the academies also took part in internships in Santander's branches in London.

Ruchill Credit Union

Ruchill Credit Union was formally constituted as a credit union in north Glasgow in 1989. The community-based organisation is dedicated to encouraging local people to save responsibly and it also provides low interest loans to individuals, as an alternative to doorstep lending and loan sharks. The Santander UK Foundation provided the credit union with funding to purchase office equipment and marketing materials, as well as to hold community information days on budgeting and financial planning.

Deafax

Deafax was set up to use information technologies to provide solutions for deaf children, young people and adults on literacy, numeracy and communication skills. In 2009 the charity received funding of over £19,000 from the Santander UK Foundation to conduct research on the impact of the credit crunch on the deaf community and produce targeted training material.

Treating Customers Fairly

In 2008 our regulator, the Financial Services Authority (FSA), set deadlines for banks and other financial institutions to confirm they had appropriate management information (MI) and measures in place to test they were delivering fair treatment to customers and to be able to demonstrate they were consistently doing so. We worked to achieve these deadlines and ensure Treating Customers Fairly (TCF) was embedded in our day-to-day activities as well as our strategic approach.

At the start of 2009 the FSA confirmed that assessment of TCF would be incorporated into their main regulatory risk assessment framework for major retail groups (known as ARROW). This assessment would include the use of a TCF Culture Framework assessing delivery of TCF for customers under key drivers - Leadership, Strategy, Decision Making, Control, Recruitment, Training & Competence and Reward & Recognition.

To give assurance regarding our performance on TCF and to drive further improvements we completed our own TCF self assessments across the key Retail business areas, back office and critical support functions. This included using a similar framework to the FSA approach focussing on the key cultural drivers, confirming evidence is in place to support delivery of TCF and agreeing actions for improvement. This ensured continued awareness and focus on TCF across the business.



Centralised forums, controls and checks continue to play a part in setting standards, monitoring delivery of TCF and highlighting areas for attention. We launched the Santander UK Service Quality Committee, with executive representation, which demonstrates our commitment to ensuring customer issues are given priority at the highest level.

Whilst TCF is a requirement mainly for Retail businesses, Santander Corporate Banking will also be using the TCF principles going forward.

Service Quality

Service Quality remains one of the five strategic priorities for Santander UK. We know that by improving service quality, we will also help deliver our other priorities of customer loyalty and efficiency. 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.

During 2009, we extended our service programme to include Bradford & Bingley and Alliance & Leicester branches and call centres. This means that every branch and call centre team now has the same way of measuring customer service and understanding what improvements need to be delivered for the benefit of our customers.

Listening to Customers

In 2009 over 200,000 customers were surveyed to find out how satisfied they were with their branch or call centre. Following this feedback, we delivered a range of initiatives to improve customer service in 2009.

We introduced our 'Service Commitments' in October 2009, a set of four principles that describe in a simple and straightforward way what service means to us and what our customers should expect during every contact with us.

Our service commitments are:

- We will make you feel welcome and treat you in a helpful and friendly way
- We will always strive to understand your financial needs and offer products and services of benefit to you
- We will aim to handle your accounts smoothly and efficiently at all times
- If something does go wrong, we will aim to put it right as soon as possible, keeping you informed and keeping our promises.

Some other improvements delivered during 2009 were:

- Key areas giving rise to complaints were targeted by a dedicated programme of process improvements
- Introduction of enhanced fraud detection processes, to make customers' money even safer and significantly improving the speed of a refund should fraud occur on a customer's account
- A guide to help those who find themselves in financial difficulties was made available in branch and on www.santander.co.uk called 'Information for customers facing financial difficulties'.

Retail Customer Experience

We set up a new team in early 2009 dedicated to supporting our branch network employees in delivering great service. A small central team looks at uncovering and fixing process issues which slow down service delivery. And we introduced divisional customer experience managers to help branch teams focus on local service issues.

The team works with all areas of the business: Service Quality, Marketing, IT, Manufacturing and HR to resolve process and systems issues and make positive changes for our customers.

Customer Satisfaction - Abbey only

Based on an external independent survey which measures customer satisfaction, we increased the percentage of customers who were satisfied during 2009. This is a good achievement given the current unique climate, and the fact that over the same period, the satisfaction of our high street competitor customers declined.

(% satisfied customers)¹



¹ GfK NOP FRS Survey. Includes all customers interviewed in the three months ending Dec 09.

Customer Satisfaction – Santander UK

Looking at the satisfaction of customers of the combined businesses of Abbey, Alliance & Leicester and Bradford & Bingley, there has been a slight decline in satisfaction. In relative terms, Santander UK has moved 1.2% points closer to the competitor average.

(% satisfied customers)²



² Weighted average of Abbey, Bradford & Bingley and Alliance & Leicester customers

Customers

Managing Complaints

Santander UK's vision for managing complaints is to resolve complaints at the first point of contact, whilst the customer is present.

Employees are encouraged to resolve issues and complaints from their own experience or via a new online complaints resolution tool. If they are unable to resolve the complaint they refer it to a central helpline of experts. This new approach is known as 'Resolve or Refer'. The expert central team resolve the complaint over the phone or take it over to resolve quickly. Our new approach to complaint handling has seen a significant improvement in the speed with which we resolve complaints, the quality of the resolution and the number of complaints outstanding.

Complaints are continually reviewed through root cause analysis. Our Manufacturing division has an ongoing programme of process improvement based upon analysis of our top complaint issues and Marketing use feedback from complaints to review products. Direct feedback to frontline customer facing areas also helps to improve how we manage complaints.

Abbey recorded an overall decrease in the number of escalated complaints received in 2009 versus 2008 as defined by those escalated to our 'Stage 2 appeal' process. Comparative figures for Alliance & Leicester were not available in 2009 as the complaints process was only fully integrated and aligned with Abbey in the second half of the year. We will report our total figures in next year's report.

Number of complaints

2009	46,908
2008	61,015

Unauthorised Overdraft Fees

In July 2007, seven banks, including Santander UK, 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 concluded in November 2009, when the Supreme Court decided, unanimously, that the amount of unarranged overdraft charges is not assessable for fairness and that unarranged overdraft charges are an important part of current account services which the banks provide to their customers.

We recognise this issue has been of real concern to a large number of our customers and we are pleased that this decision now brings clarity for all parties. The FSA waiver, the process whereby banks placed overdraft charge complaints on hold, pending the outcome of the court case, has been removed. By early 2010 we had written to all customers whose complaints had been placed on hold.

Employees



A Rewarding Place to Work

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 2009, this initiative was invaluable in helping to engage our new employees. Employees from across the Santander UK entities, including Bradford & Bingley and Alliance & Leicester, were given the opportunity to get involved in both local and global activities. These included a Family Fun Day, tree planting, golf events and a Santander is You race, which was held in Madrid. During Santander is You week we let employees know more about the Santander values and how to make the most of global benefits.

Santander is you

Being the Best

We introduced a 'Be the Best' award scheme in 2009 to highlight and encourage employee behaviour that supports the company's five key themes of Service, Customer Loyalty, Efficiency, Teamwork and Meritocracy. Each month individuals were nominated by their colleagues and a panel of managers selected a shortlist of winners who best embodied the themes. Over 500 employees were nominated in the year and 40 winners were selected.

Best People Boss Awards

We ran our Best People Boss competition for the second year in 2009 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. We saw the number of entries increase to over 600 in 2009, with around 11% of our managers receiving a nomination.

Enhanced Benefits

In 2009, we rebranded 'Let Abbey Benefit You', our innovative reward and benefits package, to 'Let Santander Benefit You' and extended it to employees in Bradford & Bingley and Alliance & Leicester. A dedicated online benefits site offers employees discounts and special offers from a range of high street brands as well as information on the corporate benefits. This benefit has been well received by employees and achieved a participation rate of nearly 50%.

Sharing Success

In 2009, 100 free Banco Santander, S.A. shares were awarded to all employees in Bradford & Bingley and Alliance & Leicester to mark the brands joining the Santander group.

A Sharesave scheme was run for the second year and extended to our new employees. Sharesave gives employees the opportunity to buy shares in Banco Santander, S.A. The first of its type in the Group, it gives employees the chance to gain any benefits from Banco Santander, S.A.'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, S.A. at the end of the savings period, at a price set at the time employees join the plan, and a guaranteed tax free bonus. The second year of the scheme was well received by employees and achieved an overall participation rate of circa 20%.

Pensions Review

We look to provide employees with pension arrangements that are fair, competitive and sustainable. Following staff consultation through 2009, and at a time when many employers are announcing the closure of such schemes, we confirmed our continuing commitment to the defined benefit schemes enjoyed by longer-serving employees – but on a more sustainable basis from 2010.



A new, improved, defined contribution pension scheme was launched in 2009, with employer contributions of up to 12.5% of salary, 10x salary death-in-service benefits, auto-enrolment and online self-service. The Santander Retirement Plan achieved a participation rate of over 80%, up from around 35% in the previous scheme.

People Policies

During 2009 we benchmarked our policies and began work to integrate the terms and conditions which apply to Abbey and our new employees from GE, Bradford & Bingley and Alliance & Leicester. This will continue through 2010, working closely with the unions to complete the harmonisation of people policies.

With the integration progressing during 2009, a wider telephone support service was made available to line managers and employees, providing advice and guidance on HR policy interpretation and application.

Employees



Creating An Inclusive Workplace

We recognise that our people are all individuals and this diversity is important to the success of our business.

We have updated our policy and the core principles on which we base our Inclusion & Diversity Policy are:

- Inclusion & Diversity are part of our leadership style and managers are expected to promote this practice within the working environment.
- Inclusion & Diversity are part of our employee value proposition and support our strategy for attracting and retaining talent.
- Our policies, processes, systems and tools do not harbour any form of discrimination.

Positive Action

During 2009 we co-ordinated a number of positive action initiatives for under-represented groups. We established a Diversity Steering Group comprising senior managers representing Employees and Talent Management as well as Customers and Communities. The Group meets quarterly to drive forward actions across the inclusion agenda.

Our work in this area over the past few years received external recognition in 2009:

- Nominated for the Working Families Employer of the Year Award
- Inclusion of our Flexible Working policies on the Corporate Leadership Council's website as an example of best practice
- Our Emergency Childcare, Out of School Care and Eldercare service for employees featured in IDS magazine as a best practice case study.

In order to enhance our diversity and inclusion policy we undertook a comprehensive review of our Maternity, Paternity and Adoption proposition and a new scheme will be launched in 2010.

Awareness and Training

Mandatory face-to-face awareness training was delivered to our senior leaders in 2009 and a dedicated e-learning diversity programme, available via our internal Learning website, was mandatory for all employees.

We worked with the Employers Forum on Disability during the year to improve the service proposition for our disabled customers and carried out a full content review of our Disability Discrimination Training for customer-facing staff.

Gender Focus

A new global Gender Diversity Policy was developed in late 2009 with the aim of increasing the proportion of women in senior roles across the group. We agreed appropriate targets and areas of action and will be working across all areas of HR in 2010 to ensure the new policy is embedded in the UK to achieve the goals we have set.

Our sponsorship of the Opportunity Now Gala Awards & Dinner continued for the third year in 2009 and included a Santander Award – Equality of Opportunity through Education & Learning.

Equal Pay

Santander UK salaries are positioned around the median levels for the industry sector, however, it is important that we understand and, if necessary address, any inequality amongst employees. In partnership with one of our unions, Advance, in 2009 an in-depth analysis of volume roles across the Abbey branch network was undertaken. The review was in line with the approach recommended by the Equality and Human Rights Commission.

Sector Inquiry

During the year, we actively participated in the Equality & Human Rights Commission's inquiry into Sex Discrimination in the Financial Service Sector. Following our submission we were invited to sit on the Commission's External Reference Group and during 2009 we attended a number of the Group's meetings. We will continue our work with the Commission in 2010.

Developing Our People

Management Development

We have a comprehensive range of development programmes aimed at four different levels of management, each designed in the context of Santander Group's Corporate Managerial Curriculum. The first three levels are a series of blended learning modules supported by a virtual learning environment. 17% of the target management population have attended one or more element of this programme. The fourth level was run by London Business School in 2009 and 36% of the appropriate management population have attended to date. In total, 77% of our senior managers attended executive development programmes hosted by Santander Group in Madrid.

Since launching the development and mobility committees in 2008 for our senior managers and executives, we have reviewed the individual development requirements for over 90% of our executives and 20% of our senior managers to ensure tailored

Learning Data

	2009	2008
Total number of training days ¹	152,057	109,877
Average number of training days per employee ²	6.73	6.90
Average invested in training per employee ³	£406	£581
% of staff undertaking some element of learning (all)	85%	
% of staff undertaking face-to-face learning	37%	
% of staff undertaking e-learning	85%	

1. 2009 - total amount of training undertaken by all Santander UK staff (classroom-based, e-learning, paper-based)

2. 2009 - based on total 'delegate days' and average of month-end Santander UK FTE

3. 2009 - based on total Learning budget spend and average of month-end Santander UK FTE

development support is put in place for them. As a result of the committees, another 17% received executive business coaching in 2009, one of the solutions offered to support our top managers, bringing the total to 60% who have received this development.

Performance Management

Our Performance Management process is designed to ensure that all employees know what they have to do, how they need to do it, what development and support they will get, and how they will be rewarded and recognised for their achievements. During 2009, a harmonised process was implemented across the UK and line managers from Alliance & Leicester and Bradford & Bingley received training on our performance management processes.

Skills Development

The integration of our new employees was supported extensively throughout 2009 and focused on training for new multiple product lines, processes and systems. Over 476 workshops were delivered and over 90,000 hours of distance learning undertaken.

Whilst the value of our training per employee has reduced, we have conducted more internal delivery than external in 2009 and there has been an increase in e-learning as opposed to face-to-face training which has driven down costs without impacting on the quality. We invested almost double the industry average in external training.*

The Learning and 'Partenon' IT teams worked on over 200 projects in 2009 ranging from developing new curriculum to improving existing courses. These included a combination of systems courses for Partenon implementation and face-to-face learning to support our Academies.

Schools Model

2009 has seen further improvements to the Schools portfolio in our Risk, Marketing, Complaints and Intermediaries divisions along with new development calendars for employees in Corporate Services and HR. The Schools portfolio has been enhanced with a number of accreditations enabling employees to take external qualifications i.e. Institute of Customer Services (ICS) & Accreditation programme (IFS).

Retail Support

We continued the role out of our Retail Banking Development Programme delivering a 'Train the Trainer' workshop to 46 regional managers. Three new modules were launched in 2009 - Performance Management & Development, Customer Orientation and Risk & Control. 750 branch managers have received the modules via their regional managers.

*Based on CIPD research of £220 per employee.

We continued to review and update our Academies as a result of the integration process, including using different technologies to improve new joiner experiences. The Personal Banker Academy and the Customer Service Adviser Academy are now accredited by the Institute of Customer Service.

Corporate Banking

With the rebranding of Santander Corporate Banking in 2009, employees in this area were supported with a range of initiatives including a comprehensive new joiner Academy programme, a suite of online product and risk based solutions and relationship management training.

During the summer we worked in partnership with the Manchester School of Excellence and invited a number of talented students to participate in a month-long programme which included a work placement at our Corporate Bank office in Manchester. The programme was a great success and provided these individuals with an opportunity to gain additional skills that can support them in their future aspirations.

Recruitment

Our competency based interview process and structured selection tools (for specific roles) are designed to allow business areas to recruit the best people for the roles that we have. We look to recruit people as quickly and efficiently as we can for the benefit of both Santander and the individual.

Attracting Graduates

We recruited 67 graduates across six business areas in 2009, the second year of our new graduate programme. All the students began their new roles in September 2009 with a thorough induction. In 2010, we are planning to substantially develop the programme and aim to recruit at least 230 graduates across a growing number of business areas throughout the year. We will have a mix of accelerated entry roles (filling existing vacancies) as well as a more traditional structured graduate programme.

Employees



Listening to our Employees

Employee Opinion Survey

In 2009 our annual Employee Opinion Survey (EOS) achieved an exceptional response rate of 84% - 4% above our target.

During 2009 we focused on areas of weakness and continued to deliver improvements through five work streams, aligned to our five strategic priorities. The high level results demonstrate there has been considerable progress in a number of areas, including:

- Understanding of Strategy, Goals & Objectives
- Communications
- Senior Leadership and Visibility

Employees were familiar with the key customer service initiatives which were launched in the year and the rebranding of our UK businesses to Santander. Overall, there is a greater understanding of what Santander wants to achieve and how we need to work together across the organisation.

Working in Partnership

Santander UK 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 Santander UK employees. Advance is involved in major Santander UK initiatives, and we consult them on significant proposals within the business at both national and local levels. We hold regular Joint Consultative and Negotiating Committee meetings to enable collaborative working and ensure that communication is open and two-way.

For instance, the employee pensions changes were reviewed and agreed with Advance. These changes will help ensure the continuation of the main defined benefit pensions schemes at a sustainable level and will improve the pension provision for many employees through our new defined contribution scheme.

We worked with Advance and the Involvement and Participation Association (the UK's leading specialists in employee engagement and partnership working) to launch a skills development programme for all elected Advance Representatives. This will be delivered in early 2010.

Integration of Representation

UBAC, the union recognised for Bradford & Bingley staff, successfully completed a Transfer of Engagement to Advance on the 21st May 2009 following a ballot of members in which 83% of UBAC members voted in favour of the merger.

Within Alliance & Leicester we worked closely with the independent trade unions we recognise: the Communication Workers Union

(CWU) and the Public & Commercial Services Union (PCS). There are regular National Union Consultation Meetings and in 2009 consultation took place on a regular basis at both national and local levels in relation to integration activity.

Pay Review

In 2009 we agreed a two-year pay deal working with Advance, CWU and PCS to provide staff with financial stability at a time of unprecedented economic turbulence and negative inflation. We also worked together on the introduction of a UK-wide integrated Annual Performance Bonus Scheme, and a Pay Progression Scheme in our Manufacturing division.

Communications

Keeping our staff fully informed and engaged is a key priority as the business continues its integration and we complete our rebrand to Santander in 2010.



At our annual Convention around 2,500 branch and operational managers heard from the executive and senior directors about the priorities for the year ahead and were provided with communications packs to share key messages with their teams. This is a crucial communications channel, making sure the whole organisation is focused on achieving the same goals.

The intranet remains the focal point for our communications with daily updates on what is happening across the Santander Group as well as UK and role-specific news. We also issue a quarterly magazine which gives a detailed background and understanding of the company, its strategy and our people.

Recognising the importance of two-way and face-to-face communication, in 2009 we launched a number of new channels to further support and engage our staff including 'UKTV', a series of company-wide TV programmes, and text alerts for company mobile phone users. We also launched 'Let's Talk', a monthly briefing document, issued to line managers for them to reinforce corporate messages in their team meetings and an online question and answers site where staff can ask business related questions. 'The Village' - a social networking site where staff share information, ideas and best practice through blogs and forums - was also developed in 2009 and will be further enhanced in 2010.





Health, Safety and Wellbeing

We believe that healthy employees working in a safe environment enhance our business and thereby the achievement of our corporate objectives. Making sure this happens is good business practice and a positive investment that protects our most valuable asset.

Safety

Accidents are reported on-line and we produce quarterly statistics for management review. In 2009 there were 310 minor accidents, 13 incidents of over three-day absence and six major accidents across our combined business. In an effort to reduce the number of accidents we provided staff with information about accident prevention through regular health and lifestyle updates.

Health

In November we invited St John Ambulance to work with us to deliver a pilot in-house refresher training course for some of our qualified First Aiders. The refresher training was well received and we plan to roll this out throughout 2010. In 2009 we trained 75 First Aiders and 469 Appointed Persons. This can save lives and prevent minor injuries from becoming serious.

Business Action on Health

We are members of Business Action on Health, an initiative led by Business in the Community, and in 2009 we helped to judge the Healthy Workplaces Awards Competition which culminated in an awards presentation by HRH Prince Charles.

Fisico Gyms

We maintain three fully equipped gyms in our head office sites, a highly valued benefit, and gym membership exceeded 750 members in 2009.

Employee Assistance Programme

We provide staff, and immediate members of their family, with direct access to an Employee Assistance Programme (EAP). This includes a free, confidential telephone helpline that is available 24/7. Staff can also access face-to-face counselling in appropriate cases. In 2009 the EAP handled 1,342 calls from our employees and their families and, of these 190 people went on to receive face-to-face counselling.

Health and Lifestyle Updates

To make sure employees have up to date information on key health issues we issued quarterly 'Health and Lifestyle Updates' in 2009. The Updates included articles on a broad range of safety, health and wellbeing subjects including personal safety abroad, morning after drink driving, life coaching and alternative therapies.



Employee Data

	2009		2008	
Total employees ¹	24,434		15,954	
Total female employees	15,034	62%	10,446	65%
Total male employees	9,400	38%	5,508	35%
Total full-time employees	20,390	83%	12,847	81%
Total part-time employees	4,043	17%	3,107	19%
Total ethnic minority employees ²	1,774	7%	1,173	7%
Total employees aged over 50	3,142	13%	1,909	12%
Average Days absent per employee	7.2		5.9	
Employee Turnover %	12.20		21	
Total staff grievances (at final Stage)	24		73	
Average length of service for all employees (years)	8.33		6.98	

1. Total number of UK and overseas employees, at 31 December 2009, on a full-time equivalent basis. Male/female, full-time/part-time and 50+ breakdowns use an assumption for 165 overseas-based employees, as profile data is not available. All other data does not include the overseas employees.

2. Based on c.13,000 employees who complete the self-declaration option on profile monitoring forms.

Communities

In 2009 we took the best elements of the community initiatives from Abbey, Alliance & Leicester and Bradford & Bingley savings business and combined them into a single integrated programme.

Contributing to Communities

The total value of the support we provided to the third sector in 2009 was £6,008,463, mainly made through the Santander UK Foundation and Santander Universities programme. This was an increase of 21% on 2008.

Together the Universities programme and the Foundation's three charitable priorities to help disadvantaged people account for 82% of the donations (education & training 59%, community support 10%, financial capability 13%). The Matched Donation scheme is responsible for the 17% of donations for relief of suffering and 1% other causes.

Community Contribution Data

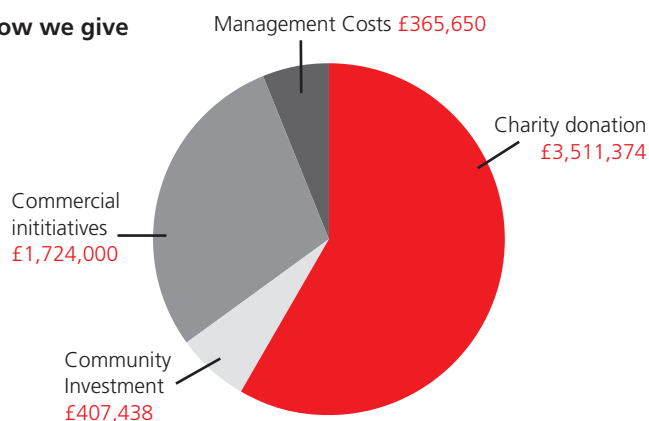
	2009	2008*
Education	£3,040,177	£2,988,000
Community support	£1,479,951	£964,085
Relief of suffering	£749,669	£488,916
Financial capability	£665,934	£402,886
Other causes	£72,732	£111,426

* 2008 figures restated to align with new category classifications.



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.

How we give



Corporate Giving

Our corporate donations are primarily made through the newly rebranded Santander UK Foundation (formerly the Abbey National Charitable Trust). In 2009, we made over 1,500 donations to both small local charities such as Scout Groups and large national charities such as Macmillan Cancer Care through the Foundation totalling over £3.28 million of grants.

Santander UK Foundation Data

	2009	2008
Central & branch donations	£1,136,842	£734,306
CPG donations	£1,119,119	£803,987
Matching staff fundraising	£1,025,634	£778,408
	£3,281,595	£2,316,701
Number of donations	1,573	1,162

Working in Partnership

In each of the areas where Santander UK has a significant presence we have set up Community Partnership Groups (CPGs) comprised of current staff, pensioners and a local charity representative. Because they live and work in these areas these groups can bring their local knowledge and expertise to the grant-making decision process. In 2009 we set up two new groups covering Merseyside and Leicestershire to reflect the key Alliance & Leicester sites. Between them the nine CPGs made 138 donations totaling over £1million, with donations ranging between £150 and £20,000.

Long Term Partnerships

In 2007 we introduced a pro-active three-year grants programme targeting charities which could promote financial capability or improve the environment. In 2009 we undertook a further four partnerships.



MIND

In May 2008, Mind launched the report 'In the red: debt and mental health', the first to specifically examine the links between mental distress and debt. The report included the results from a survey of over 1,800 people with 91% of respondents reporting that debt had worsened their mental health. A three year grant was awarded to MIND to improve the financial capability and confidence of those with existing mental health problems as well as those at risk of developing them as a result of financial pressures.

Garden Organic

Gardening Therapy will work with five Action for Children specialist schools and two distinct groups of disadvantaged young people – up to 116 young people with severe challenging behaviour and 19 with multiple disabilities. Each school will establish an organic garden in its grounds to give opportunities to the young people to learn new skills, both at the practical horticultural level and skills around budgeting, planning and management.

Gingerbread

Nearly half of the UK's 1.9 million single parent families live in poverty and almost all single parents will have to make life-changing and significant financial decisions at various stages in their own and their children's lives. With a three-year grant Gingerbread will:

- Enable more single parents to make the best financial choices they can
- Provide access to clear financial information by creating a dedicated section on the charity's website along with a new nationwide confidential e-mail service
- Distribute information that affects single parents' financial circumstances through a regular bulletin

Citizens Advice Bureaux - Financial Skills for Life

There are 14 regional CAB forums involving everyone with an interest in delivering or engaging with financial capability in their area. We are funding the post of the National Forum Co-ordinator for three years which will ensure that the essential work of the forums continues to develop. The forums are recognised as unique by bringing together key local and national players from every sector of government and society to exchange good practice, do joint work and stimulate new initiatives.

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 2009. Charities are invited to score the impact made by our donations between 0 for no benefit and up to four for exceptional long lasting benefits. From these responses we learned that:

- Impact rating
 - No respondents reported a zero impact
 - 1% some immediate impact
 - 14% acceptable in line with the original objectives
 - 67% significant long lasting benefits
 - 18% exceptional long lasting benefits
- The charities reported gaining a further £910,819 of extra resources as a result of our funding; this represents 113% of added value leveraged from our donations
- 5,714 school-age children, 6,774 older people, 4,365 disabled people, 2,741 people from ethnic minority groups and 5,395 people from other groups benefited from these donations.

It is clear from this feedback that our donations achieve a significant impact in helping disadvantaged people, often attracting additional financial support or gifts in kind.

Communities

Volunteering Data

	2009	2008
Community Days projects	64	47
Total number of volunteers	1,142	576
Value of volunteering time (all projects)	£87,000	£42,000

Time for the Community

2009 was a successful year for our community employee engagement programmes and saw a dramatic increase in the number of staff participating in volunteering schemes. We support staff through our Matched Time scheme which provides up to 35 hours per year of work time to volunteer with charities or community groups. Employees use this scheme for roles such as trustees, hospice workers and mentors and staff provided over 700 hours of support in 2009.

Santander Community Days

Over 750 employees took part in our team challenge 'Community Days' initiative completing 64 projects in nine regions around the country. The scheme provided 5,558 volunteering hours for local communities in our key regions and encouraged teams to continue to support charities they've worked in partnership with before.

For instance, over the past three years our Legal, Secretariat and Compliance teams have worked with pupils at the Queen Elizabeth School in Barnet on 'Presentation Skills', a workshop which helps the students deliver effective presentations. The students' task was to promote their school to new students, supported by the volunteers from Santander.

Chris Morgan's team in Sheffield have worked with the National Trust for the past two years helping maintain the grounds of the Longshaw Estate in the Peak District. Over six days, teams found their work clearing shrubs and improving paths extremely rewarding. Chris said "It was great to be able to work with the National Trust again and support this local estate."

Schools Programmes

We also worked in partnership with other educational organisations including Young Enterprise, Career Academies and School Governors One Stop Shop to provide opportunities for our staff to use their business skills in an educational environment.

In conjunction with the Citizenship Foundation we produced a financial booklet called 'My Money, My Rights' to help students make informed choices on managing their money either in further education or starting work. This booklet was distributed to 10,000 students across five of our key sites; Camden, Milton Keynes, Glasgow, Sheffield and Bradford. A further distribution to over 400 Local Authorities ensured young people associated with youth groups, childrens services or special education units received this information too.

Overall, the total number of employees who participated in volunteering initiatives in 2009 was 1,142 which equates to a value of £87,000 of time contributed to the community by our employees.

Fundraising Support

Our Charity of the Year in 2009 was Help the Hospices. Our target was to raise £100,000 through branch and head office fundraising campaigns to run their palliative care helpline for one year.

We linked up with hospices in the same region as some of our office sites – Belfast, Glasgow, Bradford, London, Salisbury and Milton Keynes – which enabled these sites to support local fundraising campaigns for their local hospice. The partnership was launched with a 'Go Yellow' event in January followed by an Easter 'Yolky Folk' branch campaign in April and Magic Roundabout character pin badges in June. These events raised approximately £50,000 through staff and customer support.

Key business areas supported the campaign with the Santander Global Facilities team in Milton Keynes hosting a Go-Kart Race Day and auction which raised over £20,000. A Santander team of over 50 participants took part in the London Triathlon in August which raised approximately £30,000 and the year was rounded off with festive fundraising activities and a Santa run in Kensington Gardens. Through the tremendous support from both staff and customers we exceeded all expectations and raised over £200,000 for Help the Hospices.

Matched Donations

With the extension of the Matched Donation scheme to our new Alliance & Leicester and Bradford & Bingley colleagues, we contributed a record amount of over £1million to support staff fundraising in 2009, an increase of 32% on the previous year.

Payroll Giving

We launched a new matched payroll giving scheme in the year to encourage employees to make regular donations to their favourite charities. At the end of 2009, 1,827 employees were actively donating via payroll with total donations of £182,545 made by them in the year. This represents around 8% of our employees making use of the tax efficient form of giving.





Staff Recognition

Many of our employees give their own time to support their favourite charities and each year we recognise individuals who make a significant contribution either through volunteering or fundraising. In 2009 seven employees received the Santander Community Award. Each winner received a £1,000 donation to a charity of their choice as well as an award at a recognition event.

- Glenn Ainscough a Divisional Manager has supported DEBRA for several years. The charity helps sufferers of a rare skin disease and through Glenn's musical talent he has raised over £16,000 through hosting and singing at concerts.
- Helen Thompson has used her passion for horses to help disabled children in Salisbury experience the joy of riding through Riding for the Disabled. The charity relies heavily on volunteers and Helen has given up most weekends for the past year to support them.
- Richard Hellen from Manchester organised and participated in a three-day charity cycle ride with 22 people for Jospice, a children's hospice in Liverpool, and raised over £11,000 through this one event.
- Lorraine Dalibalta and Sinead Moss from Belfast supported our charity of the year Help the Hospices as well as the Northern Ireland Hospice, raising over £7,000 through raffles, auctions and sponsored activities.
- Adrian Smith and Emily Carter pledged to raise over £1,000 each for Lupus and Leicester Samaritans. They achieved their target by organising a skydive, cake sales and street collections.

Social Sponsorship

To further support the charity sector, we provide sponsorship to a small number of charities every year. In 2009 local sponsorships, supporting communities close to some of our main offices, included the Community Foundation for Merseyside's Spirit of Merseyside Awards, the Heart of the National Forest's Conkers centre in Leicestershire, an educational Ti-pi in London Zoo's children's zoo and the annual Bingley Show, Yorkshire.

We also provided sponsorship to national charities supporting Help the Aged's National Falls Awareness campaign and the Whizz Kidz London Marathon team.

Sporting Heroes

We introduced a new scheme in 2009 to recognise the achievements of our staff in the sporting arena. Through the Santander Sporting Heroes scheme employees can be included in a Sporting Hall of Fame, where their efforts outside the office are showcased and sporting progress is tracked and recognised. Those who are competing at international level and representing their country in their specialist field join the Sporting Heroes Elite. Every year, a select number of sporting champions from this group are chosen to benefit from sponsorship support to help with equipment and training costs.

We're also keen to support community sports initiatives and through the Sporting Heroes programme we launched a Grassroots Kit scheme. Branded sports kit was made available for employees to donate to local clubs and groups.

Plans for 2010

In January 2010 Abbey National Charitable Trust Ltd became Santander UK Foundation Ltd. The Foundation will focus its resources on two priorities going forward to help disadvantaged people through improving financial capability and education & training projects. This change is marked by a significant increase in the maximum donations available. In those areas of the UK where there is a branch of Santander the maximum grant will be raised from £4,000 to £10,000. In the nine areas covered by our Community Partnership Groups the maximum grant has been increased from £20,000 to £30,000.

Universities

The Santander Universities network was created in Spain in 1996 to support higher education and, ultimately, contribute to the development and welfare of society. In 2007 Santander Universities launched in the UK and by extending the programme here Santander has now established invaluable relationships with some of the most important universities in the country.

2009 saw the further expansion of the scheme in the UK with eight additional universities becoming part of the network: Durham, Bournemouth, Bangor, Imperial College London, Edinburgh Napier, Exeter, Newcastle and Glasgow Caledonian.

Each university agreement is typically for an initial three years and Santander provides funding for a range of activities. The core agreements include support for scholarships for foreign students to study in the UK, mobility awards for UK students and research staff to continue studies or investigations abroad, and entrepreneurship activities.

In addition, Santander Universities also supports special interest projects, for example we provided funding for the Latin-American Film Library at the University of Bath, which aims to create an outstanding collection of films and documentaries from Spain and Latin America, and Southampton University's Mexican Study centre.

Santander Universities UK

- 204 scholarships for international students to study in the UK
- 251 mobility awards for UK students to study abroad
- 326 special projects, including support for business incubators and international symposiums
- £1.7 million of funding to higher education institutions

UK / Latin-American Links

UK universities have historically partnered with institutions from countries such as USA, India and China. Links between Latin-American and UK universities have represented only a small proportion of international collaborations. One of the main objectives of Santander Universities is to increase contact between UK universities and those in Spanish and Portuguese speaking countries. As a result, we organised and supported several trips for UK universities to visit these areas, including:

- March - CASS University visited the Alcala de Henares University in Madrid
- April - Southampton University visited the University of Coimbra in Portugal
- June - Glasgow Caledonian University visited universities in Chile and Argentina
- October - University of Edinburgh visited universities in Chile, Argentina and Brazil

These visits have helped to strengthen the ties between UK universities and their Spanish and Portuguese speaking counterparts. As a result, there are now several collaboration projects in progress.

University Branch Network

We have added value to the relationships we have with universities by establishing a growing university branch network. Our first branch opened in 2007 and by the end of the year there were 15 across the UK. New branches that opened during 2009 were at UCL, Cambridge, Edinburgh, Oxford, Newcastle, Bournemouth, Imperial College London and Queen's University Belfast.

In selected areas we have also linked branches in our existing retail network with partner universities. Our aim is ultimately to provide a bespoke service to all institutions that are part of the Santander Universities network.

We were present at more than 20 fresher's fairs in 2009 giving information to students not only about how they can benefit from the collaboration between Santander and the universities but also about our exclusive products and services offered at the university branches.



Corporate Banking Partnership

We have also been creating links between Santander Universities and our specialist Corporate Banking education finance team. Many of the university agreements feature a strong emphasis on support for entrepreneurship and enterprise which aligns with Santander UK's strategy for supporting SMEs.

Universities encourage students to look at how to manage and run their own businesses. Many of the ideas are innovative and some go on to grow into viable and profitable businesses. The Universities and Corporate Banking teams have worked together to support these initiatives including providing Santander UK staff for assessment panels, mentors and expert lecturers for subjects such as Managing Risk and Setting Business Plans along with suggesting corporate projects for dissertations. This collaboration allows us to share the expertise within Santander, providing invaluable support to the universities.

Santander Universities and F1

We extended the link between Santander and Formula 1 through activities and events with our partner universities, bringing the benefits of our sponsorship to students around the UK.

We provided funding for the eco-friendly Formula Student hybrid cars at the universities of Newcastle and Oxford Brookes. And, as part of a visit by Lewis Hamilton to our head office in Triton Square, two automotive engineering students from Oxford Brookes University had the chance to meet the racing driver and to talk about the intricacies of Formula 1.

In October, Santander Universities invited ten automotive engineering students from five universities to visit the Renault Technical Centre in Oxfordshire where the latest F1 prototype cars are designed and built.



Santander Universities Global

- 833 collaboration agreements with universities in Spain, Portugal, UK, Brazil, Mexico, Chile, Argentina, Colombia, Peru, Puerto Rico, Uruguay, China, USA and Russia
- 3,340 academic, financial and technological collaboration projects funded
- 3,959,000 Santander 'Smart Cards' in 201 universities
- 16,981 scholarships and grants, of which
- 8,971 are mobility grants
- £79 million of funding to higher education institutions

Environment

Santander UK'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.

During 2009 the quantity of properties in our portfolio dramatically increased with the acquisitions and our focus in the year was to bring the new sites up to speed on Santander UK's approach. This was delivered through education, discussions and literature, advising our new employees of their part in reducing our environmental impact.

Environmental Oversight

Our Environmental Management System (EMS) provides a framework for defining responsibilities and processes. This will be reviewed in 2010 with a view to achieving the ISO14001 standard of approval, initially at our head office in London. In 2009 we introduced a new role into our facilities team - a dedicated energy and environmental manager - to help drive our actions in this area.

Energy Consumption

Through our former Abbey buildings our energy usage continued to decrease with a 10% reduction achieved over the past three years. With the addition of Alliance & Leicester buildings and Bradford & Bingley branches our energy usage has naturally increased.

Our sites in Northern Ireland continue to use green energy supplies, however sites in the British mainland changed from a mix of green/brown supply to that of brown supply in the year. We will be looking to invest in supplies from solar, wind and thermal technologies going forward.

Head Office Buildings

Our site based teams at the former Abbey sites focused on reviewing equipment run times in 2009 and harmonising these with the building occupancy profile to maximise energy savings. Our systems are able to schedule on and off times directly with occupancy and this is managed locally and reviewed regionally.

We increased office temperature set-points during the year from 22°C to 24°C to reduce heating and cooling requirements and optimise air conditioning energy consumption. This can lead to between a 10% and 20% reduction in energy for cooling.

The final phase of replacing air conditioning chillers with high efficiency 'Turbocor technology' chillers was completed in 2009 for the Abbey main offices. This is designed to make an energy saving of approximately 30% against our existing 'reciprocating compressor' chillers of the same capacity due to their operational efficiency. In 2010 we will look to replace an additional five chillers within the new enlarged estate.

Retail Branch Network

Our Energy Team continued to review and drive forward energy reduction initiatives throughout the retail branch network in 2009. The team identified and implemented a range of technical solutions, supported by our facilities and energy management contractors and branch energy champions.

During 2009, 170 branches were fitted with new heating, ventilation and air conditioning (HVAC) systems, including energy efficient controls, and a further 172 branches had new energy efficient lighting schemes and controls installed.

As part of the rebranding process, we are installing the latest energy reducing technology within our external signage. We are moving away from the high consumption standard lamps to LED lighting which, whilst it is more expensive, uses significantly less energy. This is a positive step forward and shows our commitment to reducing consumption.

A new internal lighting program for the retail estate began in 2009 which will further assist in reducing the consumption at each branch by removing old inefficient lamps and replacing them with new energy efficient versions. Around 400 branches were changed over in the year; the remainder of the network will be completed in phases over the next three years.

Santander UK facilities managers, in partnership with our energy service provider, conducted energy surveys in each branch throughout the UK to identify and prioritise energy saving measures in the highest usage branches. In addition, maintenance visits were carried out pre- and post-summer, specifically designed to reduce wasted energy.

Carbon Reduction Commitment Energy Efficiency Scheme

Santander UK is one of the companies that falls within the government's new Carbon Reduction Commitment (CRC) scheme. The system is the UK's mandatory climate change and energy saving scheme, due to start in April 2010. It is central to the UK's strategy for improving energy efficiency and reducing carbon

dioxide emissions, and is part of the Climate Change Act 2008. It is targeted at UK entities with >6,000MWh of annual energy usage and will operate as a 'cap and trade' mechanism, providing a financial incentive to reduce energy use by putting a price on carbon emissions.

Through our facilities unit, Santander Global Facilities, we have established a dedicated team to review the overall strategy for our estate for the next 5 to 10 years in light of the CRC requirements. In 2009, we started to work with specialist consultants Inenco on implementing the systems necessary to meet the requirements of the scheme and to provide us with advice. A core element of their work will be to review and manage our databases to ensure they provide robust data that will stand up to governmental audit. And we will be working through our procurement unit to ensure that all future capital projects provide a good basis of consumption reduction.

Engaging 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. There was also a stand at the Santander UK Convention to increase staff awareness of what happens when people do not switch off equipment and the effect this has on consumption levels and the environment. Staff were provided with energy saving hints and tips.

During the course of 2010 we will be hosting roadshows at our head office buildings and regional branch meetings to further promote the consumption reduction message.

Energy Champions

Line managers and the champions roles have been vital in leading the way to change behaviours, provide feedback and supply new ideas to our facilities teams. We continued to encourage branch-based energy champions to use energy saving checklists via local facilities manager branch visits.

Energy	Santander UK Data ¹	Abbey Data ²		
	2009	2009	2008	2007
Electricity (MWh)	186,269	118,864	125,807	135,899
Gas (MWh)	42,912	23,218	29,130	28,554
Total energy use by buildings (MWh)	229,182	142,647	154,937	164,453
% from renewable sources	4.9	0.8	11	11
% Combined Heat & Power	44	66	68	12
Total UK FTE	24,434	15,954	15,794	16,200
Total energy use by FTE	9.4	8.9	9.8	10.1
Emissions - CO₂ from energy use (tonnes)				
CO ₂ released	102,463	68,072	63,435	67,049
CO ₂ released per FTE	4.40	4.26	4.02	4.14

1. Combined Abbey, Alliance & Leicester and Bradford & Bingley

2. Abbey only data for year-on-year comparison.

• Utilities data is based on supplier billing received for Santander 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. Some of our branches do not report electricity use directly as it is included within the landlord's service charge and not paid direct by Santander.

• Emissions are calculated using conversion factors in the DEFRA guidelines for greenhouse gas reporting (2009). Figures for carbon dioxide released from energy use cover almost all of our commercial property portfolio in the UK, accounting for the majority of our employees.

Environment

Waste

During the course of 2009 we implemented a new recycling process for cardboard and paper along with plastic and aluminium, to help reduce the amount of waste sent to landfill and to increase our quantities of recycling.

The amount of waste produced rose at Abbey by 39% from 2008 to 2009, we believe as a result of the rebranding activities that have been carried out across the business. However, we have also improved reporting systems from our service providers and are now able to include previously unavailable data.

Both the general waste and confidential waste service providers were reviewed in 2009 for our retail and head office sites. Whilst focused on driving efficiencies, the reviews have also resulted in us being able to better monitor and manage our waste processes and streams.

Unfortunately, the percentage of recycling dropped in 2009 from 73% to 60%, across all our business entities (Abbey dropped to 67%). This was due to a number of factors:

- More stringent reporting regimes in place in 2009, particularly for the retail network, which saw improved verification of actual quantities of recycling vs actual collections.
- Cross contamination of waste at our newly introduced recycling stations.
- An increase in the size of our retail portfolio by 38% in the year, with the new sites generating more non-recyclable and contaminated waste due to a lack of alternatives.

Towards the end of 2009 we re-launched our recycling service to encourage better practice and awareness amongst employees. By ensuring we target staff with informative posters, and by positioning recycling receptacles appropriately in buildings, we will aim to reverse the decline. This, combined with planned activities to encourage employees, such as roadshows and a presence at the Convention, will bring improvements in 2010.

	Santander UK Data ¹	Abbey Data ²		
Waste (tonnes)	2009	2009	2008	2007
Waste collected	10,852	7,460	5,363	4,646
Waste recycled	6,457	4,964	3,916	3,627

Recycling Uniforms

On 30 September, as part of our re-brand activity, all three branch networks held a 'Stepping Out' day when new staff uniforms were launched, to align the disparate looks into a single Santander clothing range. The existing uniforms were recycled through our supplier Wilcox who sends unwanted clothing on to projects in India and Africa where they are converted into felt or to be re-used.

Water

In 2009 water usage increased. This was due to two incidents in the year where the mains supply burst within our Glasgow and London buildings.

Water (m ³)	2009	2008	2007
Santander UK	346,334		
Abbey only	193,647	171,599	196,710

Water usage is not recorded in some of our branches, as this is included in the rent or service charge which is paid for by the landlord of the property.

Paper Usage

In 2008, we launched new paper guidelines which saw all paper used for printing marketing material sourced from managed forests. Following this, in 2009, we moved the printing of transactional items (banking, savings and credit card statements, cheque books and customer letters) to FSC paper.

We also actively reduced our paper portfolio from 40 to 23 types, all of which now have full FSC chain of custody. They represent 98% of material purchased by our supplier Williams Lea for our print marketing. The new paper portfolio has PAS2020 credentials for energy and water usage and all print vendors are fully accredited, or work to ISO14001.

Paper (kg)	2009
Santander UK	7,599,257

Paper Includes all head office photocopying and stationery supplies, toilet paper and customer marketing literature.



Santander UK Data¹

	Business travel (km)	CO ₂ from business travel (tonnes)
	2009	2009
Air travel - domestic	6,885,408	1,186
Air travel - short haul Europe	5,794,018	824
Air travel - long haul International	2,620,291	302
Car	32,194,717	6,960
Rail	13,349,667	804
Total	60,844,098	10,075
Total CO₂ released per FTE		2.43

Abbey Data²

	Business travel (km)		CO ₂ from business travel (tonnes)	
	2009	2008	2009	2008
Air travel - domestic	6,139,710	6,506,149	1,057	1,120
Air travel - short haul Europe	5,454,765	7,544,245	775	1,072
Air travel - long haul International	2,232,670	2,439,886	257	281
Car	31,617,234	21,554,800	6,836	4,660
Rail	13,349,667	11,194,990	804	674
Total	58,794,046	49,240,070	9,729	7,808
Total CO₂ released per FTE			1.64	2.04

Business Travel

During the year we continued to see a decrease in the use of air travel within the UK and an increase in rail journeys, within the Abbey business. Our overall CO₂ emissions increased in 2009 across Santander UK along with our environmental impact per employee, a result of our newly expanded business.

We are committed to looking at ways to reduce our business travel. This includes investing in advanced technology which will aim to reduce our travel mileage and CO₂ emissions in the medium term. Santander Group has invested in Telepresence facilities throughout its global network to encourage people not to travel for meetings. The technology provides an immersive meeting experience that offers ultimate video and audio clarity, overcoming the shortcomings of traditional services. This will be rolled out to UK main sites in 2010.

We will also be looking to develop a Ground Transportation Programme to provide cab share opportunities, transport between our main sites and public travel options for our Leicester site.

Catering

Across our head office estate we work with Eures, our outsourcing partner for all our catering requirements. Over 40% of Eures supplies are distributed via bio-diesel vehicles, making use of waste cooking oil. Local suppliers are given priority which allows purchases to be made direct from growers and producers. For example, Eures use bakers who are based on average 30 miles from their outlets and 95% of their root vegetables are sourced from the UK.

Vending

Our Autobar vending machines supply Thirsty Planet water through our main office sites. Money raised from sales of the water is dedicated to bringing clean water to millions of people in sub Saharan Africa. Thirsty Planet are working exclusively with Pump Aid, a UK charity that delivers sustainable and cost effective solutions to provide clean water to impoverished communities. To date, Santander staff have purchased enough water to provide six water pumps.

Renewable Energy & Recycling Sector Financing

Santander Corporate Banking is a main player in the UK renewables market place with a focus on smaller, regional transactions and commitments totalling £170m. We are also one of the founding members of the government's WRAP Equip Scheme. This allows businesses to receive government support on Asset Finance deals in the form of government guaranteed residual values on assets used in the recycling sector. This guarantee often provides a bridge between newly formed businesses within the recycling industry and large capital expenditure programmes.

Plans for 2010

The facilities team will continue to focus on energy efficiency in 2010 as part of the overall strategy of meeting the CRC targets (a 10% year-on-year reduction).

Further capital investment is planned in HVAC and lighting within both retail and head office buildings, with the roll out of Automatic Meter Readers planned to assist us with effectively tracking exact consumption figures at any one property at any given time. This will supply us with an effective tool to track trends and focus on properties that are not performing as would have been expected, and reward others that are performing beyond their targets.



Suppliers

In 2009 we spent over £1.3 billion with more than 2,000 third party service providers and suppliers, to purchase the goods and services we need to run the business.

Key areas of spend were:

- IT
- Professional services
- Property and facilities
- Logistics
- HR
- Marketing

Our priorities in managing these relationships are to:

- ensure we treat potential and current suppliers fairly
- ensure our suppliers are acting in an ethical and responsible way
- minimise the impact of our purchasing on the environment.

Consistent approach to purchasing

We have a clear Cost Management & Procurement Policy and process. A consistent approach is followed across all sourcing, selection, negotiation, contract agreement and supplier checks, including checks on our suppliers own CSR position. Compliance with the Policy is enforced so that all significant purchases from suppliers are managed in line with it.

All staff purchasing goods and services direct from suppliers and/or negotiating with suppliers are required to abide by our Manual of Conduct in Supplier Relationships that includes the need to be professional and unbiased in all dealings, to avoid conflicts of interest and to maintain the confidentiality of information.

CSR in Purchasing

We see CSR as a key factor in purchasing and our process contains mechanisms to ensure we only do business with suppliers that align with our commitment to human, labour and environmental rights.

The supplier selection and authorisation process ranks highly those businesses that have established codes of conduct, certifications or other internal regulations that confirm compliance with recognised CSR guidelines. The process for checking the suitability of existing suppliers on a regular basis is similar.

New contracts include a clause requiring suppliers to adhere to our CSR Protocol, where relevant. The protocol covers human rights, labour standards, environment and anti-corruption, in line with the principles in the UN Global Compact.

Good Supplier Relations

Our branch facilities management contract is with GSH Group plc. Over the years the relationship with the supplier has grown from a formal supplier/client basis to a joint focus on providing good service. Staff from Santander UK and GSH work together to deliver service improvements leading to better performance for both parties. The strength of the relationship led to GSH Energy becoming a supplier three years ago to provide energy bureau services (managing the retail utility bill payments and advising on energy consumption) and to the renewal of the facilities management contract for a further three years in 2009. The two contracts are run in tandem and are showing positive results across the combination of services.

John Davy, Chief Operating Officer of GSH says "Based upon solid principles of openness, honesty and integrity GSH is delighted that our partnership with Santander has developed to encompass not only prescriptive and reactive maintenance but also the provision of energy management which encompasses bureau services, awareness programmes and technical solutions. The benefits of this approach can be measured in improved customer service, year-on-year energy savings and, importantly, carbon reduction."

Plans for 2010

The 2010 plan is centred on moving to the Santander Group Purchasing Model, involving significant changes to the way we work. Amongst the aims of these changes are to improve the clarity of our orders to suppliers and to reduce the time it takes to pay suppliers.





ASSURANCE STATEMENT

SGS UNITED KINGDOM LTD'S STATEMENT ON SUSTAINABILITY ACTIVITIES IN THE SANTANDER UK CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2009

NATURE AND SCOPE OF THE ASSURANCE

SGS United Kingdom Ltd was commissioned by Santander UK to conduct an independent assurance of the Corporate Social Responsibility (CSR) Report 2009. The scope of assurance, based on the SGS Sustainability Report Assurance methodology, included the text and 2009 data in accompanying tables contained in this report.

The information in the Santander UK CSR Report 2009 and its presentation are the responsibility of directors and management of Santander UK. SGS United Kingdom Ltd has not been involved in the preparation of any of the material included in the CSR Report 2009. Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below with the intention to inform all Santander UK's stakeholders.

This report has been assured at a moderate level of scrutiny using our protocols for evaluation of content veracity, and included interviews with relevant employees at the Head Office in London and Milton Keynes; review of documentation and records, validation with external bodies such as suppliers of energy and paper and evaluation of the report for Materiality. The report has not been evaluated against the GRI principles or standard disclosures. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS United Kingdom Ltd affirm our independence from Santander UK, 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 auditors registered with IEMA (Environmental Auditor) and IRCA (Certified Sustainability Assurance Practitioners).

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 CSR Report 2009 verified is accurate, reliable and provides a fair and balanced representation of Santander UK's sustainability activities in 2009. The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders.

COMMENT ON MATERIALITY

In our opinion, the Santander UK CSR report has for the most part taken into account the issues material to the organisation. The report addresses critical issues of the changing financial background, climate change and those issues relevant to individual stakeholder groups. In addition it addresses those issues material to the changing organisation itself such as the affect on the business of acquisitions and the integration of the businesses, employees and customers.

BEST PRACTICE AND RECOMMENDATIONS

The report includes the innovative presentation of the data during the changes in the business in a manner that makes it easier for stakeholders to compare against both past and future data. As the organisation moves forward to implement the three year plan from 2010 it is recommended that external assurance of the GRI Application level is included in the next report.

Signed:

For and on behalf of SGS United Kingdom Ltd

Jim Weaver

Business Manager, UK Systems and Services Certification

May 2010

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	6

PROFILE: REPORT PARAMETERS

GRI indicator	Page No
3.1 Reporting period	2
3.2 Date of most recent report	2
3.3 Reporting cycle	2
3.4 Contact point for questions	35
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	32

PROFILE: GOVERNANCE

GRI indicator	Page No
4.1 Governance structure of the organisation	5
4.2 Indicate whether the chair is an executive officer	5
4.3 State the numbers of independent and/or non-executive	5
4.4 Mechanisms for employees to provide recommendations to the directors	18
4.14 List of stakeholder groups engaged	2
4.15 Basis for identification and selection of stakeholders	2





ECONOMIC PERFORMANCE INDICATORS

GRI indicator	Page No
EC-1 Economic value generated	7
EC-6 Policy, practices and spending on suppliers	30

ENVIRONMENTAL PERFORMANCE INDICATORS

GRI indicator	Page No
EN-3 Direct energy consumption	27
EN-5 Energy saved due to improvements	26
EN-8 Total water use	28
EN-16 Greenhouse gas emissions	27
EN-18 Initiatives to reduce emissions	28
EN-22 Total weight of waste	28
EN-28 Value and number of fines for non-compliance with environmental laws	-
EN-29 Impacts of transporting members of the workforce	29

SOCIAL PERFORMANCE INDICATORS: LABOUR PRACTICES

GRI indicator	Page No
LA-1 Breakdown of workforce	19
LA-2 Employee turnover	19
LA-7 Injury and absentee rates	19
LA-10 Average hours of training	17
LA-11 Programmes for skills management and learning	17
LA-13 Breakdown of employees according to diversity	19

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

Contact details

Sharon Squire, Head of CSR

Santander UK plc

2 Triton Square

Regent's Place

London

NW1 3AN

www.aboutsantander.co.uk

community@santander.co.uk

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