

CORPORATE SOCIAL  
RESPONSIBILITY REPORT



2012

Euromoney

**Best UK Bank**

Your Money

**Best National Branch Network**

The Banker

**Bank of the Year**

Moneyfacts

**Best Current Account Provider**

**Best Personal Finance Provider**

Business Moneyfacts

**Business Bank of the Year**

**Best Business Current  
Account Provider**

**Best No Notice Business  
Deposit Provider**

Letsrecycle.com

**Silver Award**

Moneywise

**Most Improved Service**

Green Apple

**Gold Award, Banking  
& Finance category**

The Cards & Payments Awards

**Best New Credit Card Product**

**Best Credit Card Marketing  
Campaign**

Personal Finance Awards

**Best Premium Current Account**

**Best Credit Card Provider**

**Best Personal Finance Product**

Employers Network for  
Equality & Inclusion

**Excellence in Training**

**Team of Year**

Chairman's Statement	04	Employees	22
Company Profile	05	Social Investment	27
Santander UK's Responsibility	06	Community support	27
CSR strategy and governance	06	Santander Universities	30
Corporate Governance	08	Key Data	32
Risk management	08	GRI Index	34
Responsible Business	10	Verification Statement	36
Customer satisfaction	10		
Products and services	13		
Supporting businesses	15		
Environmental management	18		
Supply chain	21		

This is Santander UK plc's 13th annual Corporate Social Responsibility (CSR) Report. It covers activities relating to Santander UK's operations in the UK for the period January to December 2012 and takes into account developments at the beginning of 2013 where they have a bearing on the content of the report.

---

# SIMPLE | PERSONAL | FAIR

Santander UK's vision is to be the best bank in the UK for our people, customers and shareholders.

In 2012 Santander UK launched a strategic plan 'Santander 2015', the biggest programme of change ever undertaken by the bank.

Santander 2015 will transform our business. It will build on the strong foundations we have, while changing the way we behave and act, as we work towards becoming the best bank in the UK. Under the plan, we will reach our goals of four million satisfied primary retail customers; double our current market share in corporate banking; be the best bank to work for in the UK; and ready to be listed on the London Stock Exchange.

How will we achieve this? The answer is easy. By becoming simple, personal and fair. These three words underpin every workstream of the new Santander 2015 programme. They are what we are committed to becoming by 2015.

Ana Botín, Chief Executive, Santander UK



## SANTANDER UK'S VALUES

<b>Innovation</b>	Adding value in what we do and trusting people to take risks to achieve our goals
<b>Teamwork</b>	Creating a culture of praise, sharing successes and failures with unwavering support
<b>Commitment</b>	Doing what we say we will do, sharing our collective goal and feeling proud of the company's success
<b>Excellence</b>	A never ending commitment to do better and get it right the first time

# CHAIRMAN'S STATEMENT

**Lord Burns**  
Chairman



Santander UK delivered a sound financial performance in 2012, despite the subdued market conditions. We contributed to the UK economy, supporting individuals, families and businesses and investing in communities across the country.

We helped more than 100,000 households to finance their homes with £14.6 billion of residential mortgage lending and we continued to support UK businesses, with £3.4 billion of new facilities in the year. Indeed over the last four years we have increased our lending to SMEs by an average of 25% per annum.

Restoring credibility and customer trust remains rightly at the top of the banking industry's agenda. We firmly believe that all stakeholders need to work together to make the banking sector both stronger and safer, and we need to ensure that the regulatory changes underway allow us to continue to serve our customers well and that we have a strong and robust business that can contribute to the economy and wider community.

In 2012 we continued our efforts to build a culture based around the customer and customer service. Investments during the year in recruitment, training and a new complaints handling model resulted in improvements in customer satisfaction, reflected in Santander UK being recognised by the GfK Financial Research Survey as the bank with the biggest improvement in overall customer satisfaction compared to our competitors.

Our innovative and award-winning 123 World products continued to offer our customers value for money and in 2012 we gave our 123 current account and credit card holders over £90 million in interest and cashback on their utility bills, transport and mortgage repayments helping to offset the rising cost of living.

We recognise that customers may face financial difficulties at some point in the lives, particularly during times of recession, and we continued to offer prudent refinance options for our mortgage and banking customers. Our most financially stretched customers are offered one-to-one support with free independent debt advice through our

partners. Santander MoneyWise is focused on encouraging good money management skills and during the year we provided funding of over £1 million to specialist charities to support financial education.

In 2012 we launched Santander WorkWise which aims to support youth employment and social mobility through a range of partnerships, including with Career Academies and The Prince's Trust, and the development of a new Early in Career HR programme to provide structured career paths to people from diverse backgrounds.

During the year we made considerable progress in embedding the Environmental Management System framework into our key sites and our focus on reducing energy and emissions saw us achieve the Carbon Trust Standard with a sector-leading score of 80%, one of the highest awarded in 2012.

Our contribution to society rose for the fifth consecutive year and in 2012 we donated over £19 million to community projects focused on supporting education, enterprise and employment. Under the Santander Universities programme we provided £6.5 million through our 65 university partners for scholarships, research grants and internships. Through the Santander Foundation we made over 2,000 donations to UK charities in 2012, supporting projects for disadvantaged people. And our new Breakthrough programme helped over 1,000 small business owners with practical advice, guidance and access to overseas trade missions and inspirational entrepreneurs.

Finally, I would like to recognise our 24,000 staff who responded admirably to the challenges we have faced in 2012. Their commitment to doing the right thing for our customers and their enthusiastic support for our community initiatives are vital in helping Santander UK to grow our business sustainably. We are confident that through Santander 2015 we will create a bank that is simple, personal and fair for all our stakeholders.

# COMPANY PROFILE

Santander UK is a major financial services provider in the UK. We are the second largest residential mortgage lender and a top three savings brand, operating across the full range of personal financial services, corporate and commercial banking.

Everything we do as a bank is focused on supporting individuals, families and businesses through their financial life-cycle.

## Business highlights 2012

### For individuals and families:

- ▶ Over 1.3 million customers are now part of our 123 World and we gave over £90 million in interest and cashback to 123 World customers
- ▶ We extended £3 billion of loans to first-time buyers
- ▶ We made progress on customer service with the biggest improvement in customer satisfaction of our peers.

### For businesses:

- ▶ We increased SME lending by 18%
- ▶ We opened seven new Regional Corporate Business Centres and recruited 113 additional relationship managers
- ▶ We funded the first growth capital loans from our Breakthrough programme, through which we expect around 230 new jobs to be created in the UK.

## KEY DATA

	2012	2011
<b>1. Operating highlights (£m)</b>		
Operating income	4,901	5,185
Profit for the year	939	903
<b>2. Balance sheet (£m)</b>		
Shareholder's equity	12,949	12,666
Total assets	293,044	297,574
Deposits by customers	149,037	148,342
<b>3. Ratios (%)</b>		
Cost to income ratio	45	47
Core Tier 1 capital ratio	12.2	11.4
<b>4. Social contribution (£m)</b>		
Salaries and other staff costs	1,000	956
Taxation charge	292	358
Community contribution	19.5	14.0
<b>5. Other figures</b>		
Number of active customers (million)	15	15
Number of employees <sup>1</sup>	24,970	26,194
Number of branches	1,200	1,300

1. Number of employees based in the UK.

Detailed information about our business performance and activities is available on our corporate site at [www.aboutsantander.co.uk](http://www.aboutsantander.co.uk)

# SANTANDER'S RESPONSIBILITY

## CSR Management

The Santander UK approach to CSR is based on managing the responsibilities we have to our key stakeholder groups: customers, employees, communities, shareholders, suppliers and the environment.

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.

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 UK at the back of the report. The report has achieved GRI Application Level C+.

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 in order to prepare the material.

Additional information is gathered to make sure 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](http://www.aboutsantander.co.uk > csr).

The CSR Committee, established in 2012, is chaired by the CEO and the Committee considers and approves CSR strategic plans, corporate policies and reports for onward approval by the Executive Committee and Board.

### CSR strategy

The CSR strategy is focused on supporting education, enterprise and employment, reflecting the Banco Santander group CSR policy, and is delivered through our flagship programmes – Santander Universities, Santander Foundation and Santander Breakthrough.

## Stakeholder engagement

We have a programme of regular proactive engagement with our key stakeholders to make sure we listen to and understand their views. This feedback informs our products, services and procedures.

### Customers

Financial Research Survey – an independent monthly survey of circa 6,000 consumers covering the personal finance sector, run by GfK. The industry benchmarking survey measures customer satisfaction across Barclays, Halifax, HSBC, Lloyds Banking Group, Santander UK, Nationwide and NatWest.

Global Competitor Tracker – an internal survey of circa 2,400 customers per year that monitors our performance against key competitors and measures satisfaction

across products, channels, behaviours, brand and trust.

Customer First – an internal survey of over 156,000 Santander UK branch and contact centre customers per year, measuring service performance.

### Employees

Employee Opinion Survey – used to understand employees' views, prioritise management actions and help meet employee and customer needs. Measures employee engagement, sense of commitment and pride at being associated with Santander UK. Over 24,000 staff are sent the online survey every year.

### Communities

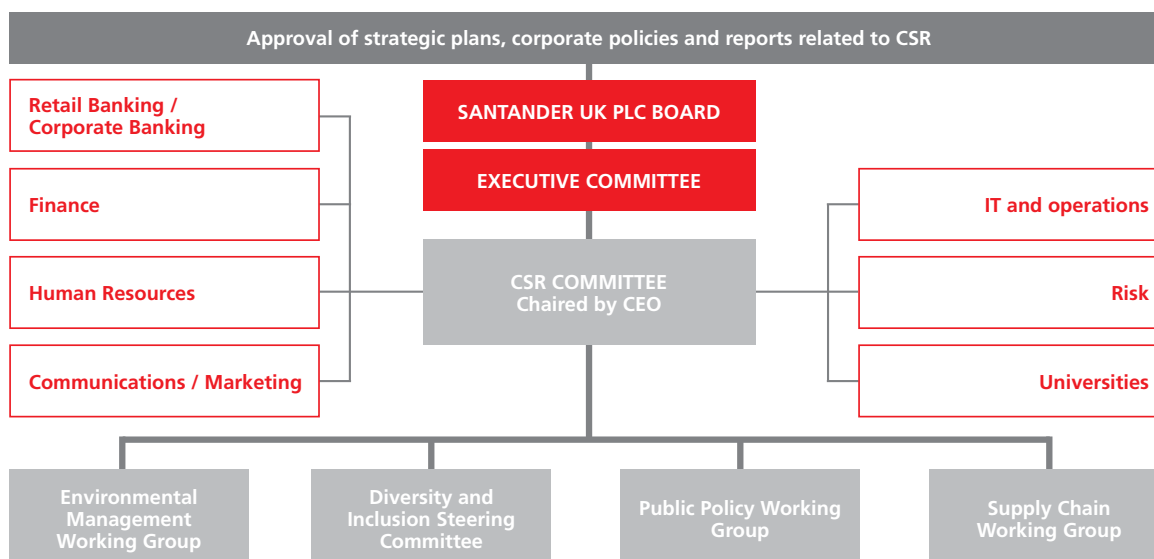
Grant Impacts - impact assessment forms are sent to all Santander Foundation

grant recipients to measure the impact of our donations a year on. 265 charities contacted in 2012.

SEDA Impact – all Social Enterprise Development Award winners are asked to submit details of the economic, employment, training, social inclusion and environmental impacts, one year on

### Shareholders

Santander Shareholder Relations hosts over 40 meetings and events every year in various cities across the UK, meeting the Group's UK-based shareholders to update them on how our business is progressing, answer their queries and understand their concerns. Following these we survey shareholders' opinions via feedback forms.



Our CSR programme also features a range of core initiatives that address a broader range of issues, including:

**Santander MoneyWise:** supports financial capability to help adults and young people better understand and manage their money including funding for the Personal Finance Education Group to provide materials on money advice for secondary school pupils.

**Santander WorkWise:** supports workplace skills, training and job opportunities through 'Flying Start' for A-level leavers, a Graduate programme, summer Internships, Apprenticeships and paid Work Experience to help address youth unemployment.

**Santander Global Facilities:** manages our environmental impacts through an Environmental

Management System, taking into account our use of energy, management of waste and contribution to climate change through CO<sub>2</sub> emissions.

**Procurement:** our supply chain is governed by a procurement policy which includes measures to ensure the fair treatment of suppliers and business partners.

## Government engagement

In 2012 Santander UK continued to engage proactively with the Government and policymakers as they sought to improve the stability of the UK banking sector and develop initiatives to boost lending to families and businesses. We also participated in the policy debate on the culture and standards of banking in the UK.

### Banking Reform Bill

Following the publication of the Independent Commission on Banking's (ICB) recommendations in September 2011, Santander UK had meetings with the ICB implementation team in HM Treasury during 2012. We provided written evidence to HM Treasury following the publication of the banking reform White Paper in June 2012.

The Government published the draft Banking Reform Bill on 12 October 2012. The Bill will implement the

recommendations of the ICB. This will include separating retail and investment banking within banking groups and moving the retail part of banks into a "ring-fenced" subsidiary. The Bill also legislates for increased capital requirements in retail banks. Banks will be required to comply with the legislation by 2019.

### Parliamentary Commission on Banking Standards (PCBS)

The PCBS is a cross-party Commission established by the Government in July 2012 to consider and report on professional standards and culture of the UK banking sector and the lessons to be learned about corporate governance, transparency and conflicts of interest. In October 2012, the Commission was also tasked with conducting the pre-legislative scrutiny of the draft Banking Reform Bill.

The PCBS published its first report on 21 December 2012 and will publish further

recommendations in 2013. Santander submitted six pieces of written evidence to the Commission and CEO, Ana Botín, gave evidence to the PCBS on the subject of the draft Banking Reform Bill.

### Access to finance

Santander UK has been actively working with the Government as it seeks to improve access to finance for SMEs. We met with the Department for Business, Innovation and Skills (BIS) regarding the new Business Bank and have been in dialogue with BIS regarding the Government schemes in which we currently participate, including the Enterprise Finance Guarantee Scheme, the Regional Growth Fund and the scheme operated by the Export Credit Guarantee Department (ECGD). We also participated in a forum set up by BIS to look into access to finance for employee owned businesses.



# CORPORATE GOVERNANCE

## NUMBER OF MEETINGS IN 2012

Board Risk Committee	12
Board Audit Committee	11
Board Remuneration Oversight Committee	11
Board Nomination Committee	5

### Governance Framework

Santander UK plc is a subsidiary of Banco Santander, S.A. Santander UK and its subsidiaries have their own independent operating framework. The company is regulated by the Prudential Regulatory Authority and the Financial Conduct Authority.

Santander UK only has preference shares listed in the UK and is therefore only required to comply with certain sections of the UKLA's Listing Rules. In addition, we are not required to comply with the UK Corporate Governance Code; however, in the interests of good governance, we have chosen to follow the Code and other

best practice guidance, wherever it is practical to do so.

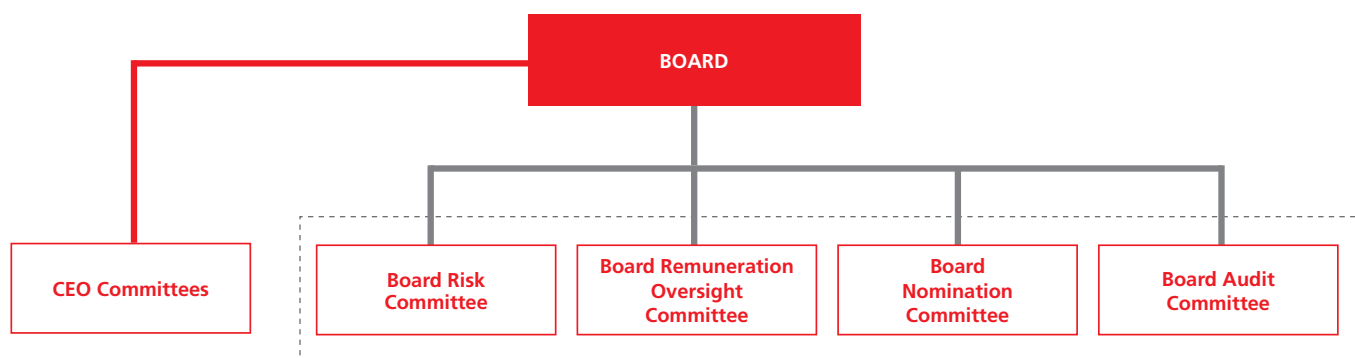
As at 31 December 2012, the Santander UK Board comprised the Chairman, four Executive Directors, four Independent Non-Executive Directors and three group Non-Executive Directors representing Banco Santander, S.A. The Board retains overall responsibility for the strategy, risk management and governance of the business.

The Board has four committees, Board Risk Committee which looks after risk matters, Board Audit Committee which primarily considers

financial reporting matters, Board Nomination Committee which looks after the director appointment and succession planning process and Board Remuneration Oversight Committee which is responsible for remuneration policies and practices.

The roles of Chairman and Chief Executive Officer are separated and clearly defined. The CEO has delegated authority from the Board for the day to day operation of the business and implementation of the Board's strategy and business plan. The CEO is supported by a number of Executive level Committees.

### GOVERNANCE FRAMEWORK





## **Risk Management**

As a significant financial services provider, risk is at the core of our day-to-day activities. The understanding and control of risk is critical for the effective management of our business and we aim to maintain a predictable medium-low risk profile, employ effective and advanced risk management techniques and deliver robust financial performance, ultimately building sustainable value for all our stakeholders.

### **Conduct Risk**

We continue to place significant focus on seeking to ensure that the necessary processes and controls are in place so that our products and dealings with customers are simple, personal and fair and that customers receive the right outcome. As part of this we have in place a robust product approval process where new products are reviewed by the Product Approval and Oversight Committee which seeks to ensure that new products are appropriately designed.

The Committee manages customer, conduct, governance, operational, reputational, risk and control aspects relating to the external launch of new products across the bank and to material changes in existing products.

### **Liquidity and funding**

The Banco Santander group operates a 'subsidiary model' with autonomous units, such as Santander UK, being responsible for its own liquidity, funding and capital management on an ongoing basis. The model is designed to minimise the risk to the Banco Santander group and all its units from problems arising elsewhere in the Banco Santander group.

Santander UK primarily generates funding and liquidity through UK retail and corporate deposits, as well as in the financial markets through our own debt programmes and facilities to support our business activities and liquidity requirements, relying on the strength of our balance sheet and profitability, and network of investors. As a regulated entity, Santander UK satisfies the regulator's liquidity and capital requirements on a standalone basis.

### **Financial Fraud**

Financial crime is on the increase and as one of the UK's largest financial services companies, we, along with the other high street banks, form one of the first lines of defence. We are committed to complying fully with the UK Anti-Money Laundering (AML) legislation, Money Laundering Regulations and measures to counter terrorist financing.

We continually invest in staff education and improved fraud detection and prevention systems, in order to counter the increasing threat of financial crime and to safeguard Santander UK's customers and assets.

### **Money Laundering**

Money laundering is linked to almost every crime including terrorist financing. Theft, fraud, prostitution, drug trafficking/dealing, and armed robbery all generate cash which criminals attempt to pass through the finance system.

Our Central Anti-Money Laundering unit is responsible for providing guidance and technical support on AML legislation and other AML policy and technical matters. It is

also responsible for the Suspicious Activity Reporting & Court Order Units and ensuring account opening processes meet AML and Sanctions and Terrorism legislative and regulatory requirements.

### **Bribery & Corruption**

We aim to operate fairly, honestly and openly in all of our business dealings and have a zero tolerance policy towards bribery and corruption. We will not do business with companies or individuals that do not commit to an anti-bribery ethos.

The Central Anti-Bribery and Corruption Team are responsible for setting policy, ongoing monitoring activities and audits, including annual business-wide risk assessments. Our anti-bribery procedures and controls contain strict requirements to be followed by all employees to prevent bribery, corruption and the use of our business for financial crime. Mandatory Anti-Bribery and Corruption training is undertaken by all staff each year.

### **Conduct Standards**

Santander UK is committed to maintaining high ethical standards – adhering to laws and regulations, conducting business in a responsible way and treating all stakeholders with honesty and integrity. Under their terms and conditions of employment, staff are required to act at all times with the highest standards of business conduct in order to protect our reputation and ensure a company culture which is free from any risk of corruption, compromise or conflicts of interest.

# RESPONSIBLE BUSINESS

## Putting Customers First

Putting customers at the forefront of our business is a key focus for Santander UK. During the year we made a significant investment in improving our customer service and continued to enhance the value we provide to our customers through tailored products and services.



### Improving customer service

Customer First began as a training programme in our Retail Banking division to embed the behaviours we want staff to demonstrate with every customer, every day. Since its launch in 2011 it has developed to become a guiding principle for everything we do and is fundamental to the way we run our business.

Any business change or issue identified is considered first from the customer perspective. This means the decisions made within the bank are focused on delivering the best customer experience. In 2012 we made a change every six days that either helped customers directly, or

made it easier for front-line staff to help their customers.

We simplified our account closure process as a result of customer feedback and improved our probate procedures. We also made it easier for customers contacting us through our call centres to identify themselves, helping to reduce the time and complexity for people who only need to make simple transactions, whilst still maintaining protection from fraudulent activity.

To help customers on the move, we launched mobile banking applications in 2012 for iPhone and iPad. Over 650,000 customers downloaded the

## KNOWLEDGE IS KING

In 2012 we introduced a new learning and development programme for staff in our contact centres called Knowledge is King. Knowledge is the single biggest driver of customer satisfaction and the programme is focused on increasing skills, knowledge and understanding to ensure staff use all the tools available to answer customer queries efficiently and effectively.

Every member of staff now has a personalised 'Development Journey' to help build highly skilled customer service teams. Over 570 staff have undertaken the programme attending courses on subjects such as Complaint Handling, Fair and Reasonable Outcomes, Making best use of the Complaints System, Advanced Communication Skills, Team Manager Development, and Presentation Skills. Customer Service and Business Operation Managers also took part in a two day development course.

In our Multi-Channel service call centres we invested in 89,000 hours of training for 3,400 employees in both technical product and process knowledge training courses and also customer focused soft skills courses such as Managing Challenging Situations, Advanced Communications and Rapport Building.

free app to conveniently and securely access their account via their mobile phone. In 2013 we plan to roll out the facility to customers who use Android or BlackBerry.

The Santander Diversity Support Team created a Diversity Support Tool in 2012 for customer-facing staff to use when dealing with disability/diversity issues. The interactive tool was launched on International Disability Day in December and helps employees to effectively answer queries on subjects related to diversity.

A Working Party, which includes representatives from across the bank, helps to improve our service for customers with accessibility queries. The Diversity Support team were shortlisted for the Employers Network for Equality & Inclusion Awards in 2012 for their work on providing advice and guidance to staff.

### Bank charges

We updated our overdraft structure during the year, so if customers go £12 or less into an unarranged overdraft, they are not charged any fees. We also introduced a grace period, allowing customers who go into an unarranged overdraft to return the account to a credit balance or within an arranged overdraft limit by 4pm that day to avoid being charged any fees.

Higher education students were also able to benefit from changes in 2012 with new higher fee-free overdraft levels for undergraduates in their first two years of study.

### Branch network

Since integrating Abbey, Alliance & Leicester and Bradford & Bingley, we have been reviewing how our customers use the new enlarged branch network and based on this analysis, we closed around 100 branches in towns where we had multiple branches in 2012. In each of these locations the remaining branch or branches have capacity to service the additional customers and displaced staff have joined them from the closed branches.

We are committed to our branch network and as a result of the analysis we plan to open 20 branches in towns where we don't have a presence during 2013.

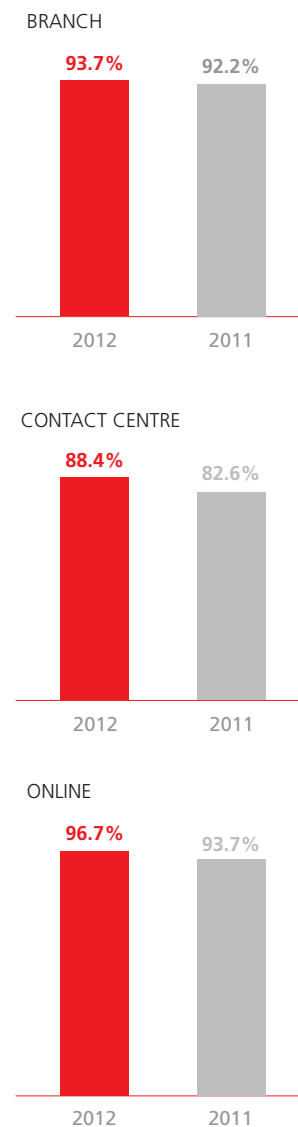
### Customer Satisfaction

In 2012, we made the largest improvement in overall customer satisfaction versus our competitors, as measured by the external Financial Research Survey<sup>1</sup>. Our regular customer satisfaction survey shows that just over 90% of customers are satisfied with the service they receive and we improved in the year across all our channels, particularly in our contact centres.<sup>2</sup>

Our progress has been recognised externally by the Moneywise Customer Service Awards which named Santander UK winner of the Most Improved Bank and we also won Your Money's Best National Branch Network in 2012.

### CUSTOMER SATISFACTION BY CHANNEL <sup>2</sup>

% of clients satisfied with service



<sup>1</sup> FRS is an independent monthly survey of circa 5,000 consumers covering the personal finance sector, run by GfK. (See Key Data section for further details.)

<sup>2</sup> Global Competitor Tracker internal survey that monitors the performance of Santander UK against key competitors, some 2,400 consumers.

## Improving our management of complaints

In line with the regulatory requirements that came into effect on 1 July, we introduced a new complaints handling model, moving from a two stage process to a single stage. We invested in staff training and a new complaints handling tool that routes complaints automatically to the appropriate experts and we use text messages and emails to keep customers informed of the progress of their complaint.

### Continual improvements

Our complaints handling continued to be monitored through our new quality assurance model which identifies areas for improvement. During the year we extended our work looking at the root cause of complaints on key products and areas that received poor feedback from customers.

We are committed to taking action on findings and during 2012 we simplified our bank charge structure and introduced a £12 fee buffer for charges on bank accounts, significantly reducing complaints.

A module in the new Knowledge is King staff development programme was focused on helping contact centre staff deal with complaints more effectively and the new Retail Assist team was expanded in the year to help branch staff deal with complaints and provide assistance to customers.

Whilst there was an increase in overall complaints in the year, mainly due to the industry wide issue of Payment Protection Insurance, the successful transition between the old and new models and the use of new technologies contributed to a 17.4 percentage point improvement in customer satisfaction with our complaint handling in the year.<sup>3</sup>

The improvements have also been reflected in data published by the Financial Ombudsman Service (FOS) showing that the total number of Santander UK complaints referred to them fell in the first half of 2012. Santander UK was the only leading high street bank to see a fall in total FOS complaints compared to the previous six month period and was the bank with the lowest uphold rate.

## Supporting customers with financial difficulties

We recognise that our customers may find themselves facing financial difficulties at some point and we are committed to treating them sympathetically. We continued to offer prudent refinance options and tailored solutions to mortgage and banking customers in short term financial difficulty during the year.

We launched an improved Financial Difficulties website for our customers in 2012 with advice, tips and self-help including an online Debt Remedy tool linking directly to independent free advice from StepChange Debt Charity.

We also developed a new Financial Difficulties Guide in association with Payplan providing further advice and support for customers in financial difficulty.

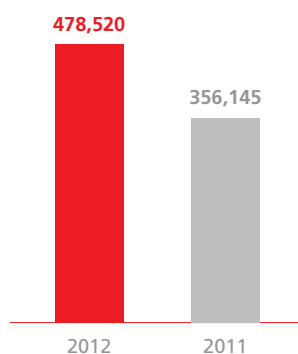
The number of customers struggling to meet their mortgage payments increased in the year and a specialist team provides focused assistance to those customers. In 2012 they received additional training to increase their understanding of customer circumstances and ensure the most appropriate solutions are offered. We also set up a new team of specialists for those mortgage customers who are deemed vulnerable to provide extra support to them.

We extended the 2011 pilot schemes with Payplan and StepChange Debt Charity during 2012 to proactively refer customers needing independent advice to them. Our most financially stretched customers can benefit from free independent debt advice from these organisations.

Together, these actions had a positive impact and contributed to a reduced number of properties repossessed in 2012 compared to 2011.

### FSA REPORTABLE COMPLAINTS

No. of complaints submitted to the FSA



**payplan**  
debt expertise

**StepChange**  
Debt Charity

<sup>3</sup> Financial Research Survey - independent monthly survey of circa 5,000 consumers covering the personal finance sector, run by GfK. 6 months ending data 31 December 2011 and December 2012. Approximate 6 month sample size of 120 respondents.



## Day-to-day banking

In March 2012, we launched the 123 Current Account which pays cashback on household bill direct debits and up to 3% interest when the account is in credit, up to £20,000, to deliver value for customers over the long term. Over 1.3 million customers are now part of our 123 World and we gave almost £90 million in interest and cashback to 123 World customers.

## Supporting home ownership

Following the tightening of lending criteria on higher loan-to-value and interest-only mortgages our overall mortgage lending was lower than in 2011. However, we supported over 100,000 households to finance their homes in the year and provided £3 billion of loans to first-time buyers.

We supported first-time buyers with mortgages of up to 90% loan-to-value and a range of exclusive products as part of Santander's commitment to this market.

In May we launched our NewBuy mortgage range, supporting the Government's NewBuy scheme. The range, which includes 3, 5 and 7 year fixed rate products at 95% loan-to-value (LTV), are available exclusively to intermediaries with established ties to selected housebuilders. All products have low upfront fees of £99 plus free valuation and £250 cashback on completion.

During the year we introduced a number of highly competitive new products available via Abbey for Intermediaries including a market leading 2 year fixed mortgage at 95% LTV, a number of products available up to 75% LTV, to both homebuyers and remortgagers, plus a range of 60% LTV products. In addition, we also extended our range of options for non-professional landlords offering quality rented accommodation in the

private sector, reducing rates across a number of our buy-to-let products towards the end of the year.

## Credit and savings

We continued to offer competitive rates on our savings products during the year. Highlights included our Major ISA, launched in March 2012, which offered customers a market-leading rate of 4% for two years with a 0.10% bonus if Santander UK-sponsored Rory McIlroy won an eligible golf 'Major' tournament. Following his win at the US PGA Championship in August 2012 over 600,000 Santander Major ISA customers will receive a bonus on maturity. In December, we launched a new 18 Month Fixed Rate Bond offering a highly competitive rate of up to 3% AER (fixed), which was available exclusively to Santander 123 Current Account and 123 Credit Card customers.

During 2012, the 123 Cashback credit card, which offers cashback on everyday spending in supermarkets, department stores and petrol stations continued to generate positive headlines. New additions to the cashback included a summer bonus offer of 1% on all bar and restaurant spend. And in September, responding to customer feedback, we launched a permanent addition to the card, offering 3% cashback on National Rail and Transport for London spend.

## Customer security

We take security issues seriously and it is essential that customers who use our online and telephone services know they are safe and protected against continually evolving fraud risks. In 2012 we made further enhancements to our online banking security systems and introduced a Telephone Banking Number to provide a greater level of protection for our customers. This security number is

unique to an individual customer and is required to carry out telephone banking transactions, minimising the opportunity for fraudsters to access customer accounts.

**123 CURRENT ACCOUNT**

The NEW Current Account that gives you cashback and interest in one for just £2 a month.

- 1% Cashback** on water and council tax bills
- 2% Cashback** on gas and electricity bills
- 3% Cashback** on mobile, home phone, broadband and paid for TV licences

**Save when you spend + Save when you don't**

- 1% Interest** on balances from £1,000
- 2% Interest** on balances from £2,000
- 3% Interest** on balances from £3,000 up to a maximum of £20,000

Find out how much you could save here at [santander123.co.uk](http://santander123.co.uk)

**Santander**  
VALUE FROM IDEAS  
[santander.co.uk](http://santander.co.uk)

To benefit from the 123 Current Account, pay a monthly account fee of £2, fund the account with £500 a month (a minimum balance of £1,000 is required to receive interest) and set up a minimum of two Direct Debits. To benefit from cashback, household bills must be paid by Direct Debit.

**1 Year Fixed Rate Cash ISA**  
**3.20% AER** (fixed)

- Save from £500 up to the annual cash ISA limit.
- Transfer in your existing cash ISAs.
- Transfer in requests must be received within 14 days of opening.
- Accounts opened before 2 September 2012 mature on 1 September 2013 and accounts opened from 3 September 2012 mature on 1 October 2013.
- Additional deposits and partial withdrawals are not allowed during the fixed term.
- Early access allowed subject to an early closure charge equivalent to 90 days' interest.
- Subject to availability and may be withdrawn at any time.

Ask here today, visit [santander.co.uk](http://santander.co.uk) or call 0800 032 4264.

Rory McIlroy sponsored by Santander

**Santander**  
Driven to do better.  
VALUE FROM IDEAS  
[santander.co.uk](http://santander.co.uk)

## Supporting financial capability

We understand the importance of financial awareness and good money management skills, particularly for young people.

In 2012 through our financial education programme MoneyWise, we provided funding of over £1 million for education charities to deliver money management projects for the secondary and further education sector and to local charities helping disadvantaged people improve their financial awareness.

Pfeg (Personal Finance Education Group) helps schools teach personal finance to students. We funded the development of their new online financial check-up tool for young people in 2012.

The tool called 'Max Your Money Skills' is aimed at 14 to 18 year olds to improve their financial knowledge and help them make the most of their money. Through a series of questions designed to explore financial attitudes, a tailor-made action plan is delivered to improve the young person's financial skills and help them manage their money. It is supported by learning materials to allow teachers to deliver financial education lessons in the classroom. Since it launched in September, 500 teachers have downloaded the teaching materials and 2,000 young people have used the tool.

In 2013 Santander will fund Pfeg's 'Centres of Excellence' initiative to support secondary schools in delivering the highest standards of financial education.

In 2012 the results of a unique research project funded by Santander UK and led by Citizens Advice in partnership with the University of Bristol, the Chartered Institute of Housing and Orbit Heart of England, a social housing landlord, were published.



The study was designed to provide evidence for social housing landlords on the impact of financial skills training. The project delivered short financial capability training sessions to housing tenants and compared the impact of training on financial behaviour with a group where no training took place. The findings demonstrated the importance of financial education and the difference it can make to households on lower incomes by helping them organise and manage their household budgets more effectively and equipping them with money skills for life.

- ▶ 76% of tenant learners had taken some action in relation to money since the training versus only 43% of the comparison group.
- ▶ Tenant learners were on average £10 a week better off as a result of their actions and those who changed their saving behaviour were saving an extra £11 per week.
- ▶ 13% of tenant learners had either opened or switched bank account or opened a credit union account, compared with 3% of the comparison group.

The research provides valuable learning for organisations involved in financial education.

# 76%

of tenant learners had taken some action in relation to money

# £10

a week

The amount tenant learners were on average better off

## Supporting Businesses

Our priority is to build long-lasting relationships with our customers based on an understanding of their business and needs so that we can support them as a long-term partner, not just a finance provider. We want to help fuel the ambitions of British businesses, helping them to grow by providing the best products and services tailored to their individual requirements.



We provide products and services for each stage of our customers' business cycle. Start-ups and businesses turning over up to £250,000 have access to support and advice via our branch based Local Business Managers and they can service their account through our ATMs, call centres and online. Larger businesses have a full relationship-managed service via our regional business centres while large corporates are supported by the expertise of specialist finance teams.

We are actively growing our network and in the past year, we recruited an extra 111 Local Business Managers and 113 relationship managers and opened seven new regional Corporate Banking Centres, bringing the total to 35, so we can better support business communities.

The strength of our products was recognised by Business Moneyfacts who named Santander UK Business Bank of the Year for the fourth year running, Best Business Current Account Provider for an unprecedented tenth year, and Best No Notice Business Deposit Provider for the second consecutive year.

### Access to finance

We continued our support for the UK economy through 2012 with net lending to SMEs up by 18% year-on-year. Overall, we made £3.4 billion of new lending commitments to SMEs in the year.

We accessed £1 billion of funding under the Government's Funding for Lending Scheme, which we are using to continue to grow our lending to UK

### VIVA BRAZIL

Brazilian steakhouse Viva Brazil secured a £375,000 funding deal from Santander UK, backed by the Government's Enterprise Finance Guarantee, helping it expand its business to Cardiff in 2012 and create 30 new local jobs.

Viva Brazil is a traditional Brazilian style restaurant operating around the 'Churrascaria' ethos of Brazilian steak cooked using traditional barbecue methods and carved at the table by Passadors (meat waiters). It opened its first restaurant in Liverpool in September 2010 and the second opened in Glasgow a year later. Santander UK has supported Viva Brazil since the opening of the first restaurant and is continuing to offer support as the business expands and grows.

companies. This enabled us to launch new products including asset-based finance and supply chain finance.

We also supported other government-backed lending initiatives: £16.8 million was drawn down against the European Investment Bank SME fund and £4.9 million was drawn down against the Enterprise Finance Guarantee (EFG) fund. In 2013 we will look to extend this by participating in the EFG Serviceability Scheme and by making EFG funding available to customers with a turnover below £250,000.



### Fuelling business ambition

In November 2012 we launched a new campaign, celebrating the successes of our customers. Four businesses talk about how Santander UK has worked with them to deliver their business ambitions. Their stories, and the latest examples of how Santander UK is 'Fuelling Business Ambition', can be seen on our Youtube site at [www.youtube.com/santandercb](http://www.youtube.com/santandercb)

### Emergency financing

Following the civil unrest of August 2011, and the severe wet weather of 2012, we have now put in place a response mechanism that allows customers who have been adversely impacted by a major incident access to emergency financing provisions.

A standard response can now be invoked in the event of major UK incidents or severe weather conditions that allows local managers to approve temporary facilities, with no fees. This means that Santander UK can react quickly to support businesses when they need it most without customers bearing any further costs.



### Social housing finance

Our specialist Housing Finance team continued to support the social/affordable housing sector throughout 2012. New loan facilities in excess of £240 million were provided to both existing and new customers throughout the year to support the continued development of affordable homes across the UK.

The year also saw Registered Providers accessing the debt capital markets for funding in significantly greater quantities than in previous years. This reflects both the diminished access to long term loan funding and investor appetite for long term assets with the strong underlying credit characteristics associated with the sector. Through our global banking and markets division we played a major role in helping our customers to raise £650 million of long term investor bond funding during 2012.

Shared ownership mortgages have long been difficult to obtain, but working collaboratively with four major Registered Providers, Santander has structured a bespoke product that provides shared ownership mortgages with significantly lower deposit requirements than would have been possible without the scheme, supporting first-time buyers to get on the property ladder.

As the social housing sector continues to evolve in changing economic conditions, Santander UK remains committed to providing support as it has done for over 20 years.

### NEWLANDS COMMUNITY ASSOCIATION

Newlands Community Association (NCA) is a charity providing a range of training, education, care and social activities across six locations in East Bradford. With the help of a £1.8 million funding package from Santander UK NCA completed the development of its Inspire Bradford Business Park.

Built on a brownfield site in the east of the city, the business park comprises two buildings totalling 2,787 sq m, housing 18 serviced offices and 14 managed work spaces. It has been constructed according to the latest sustainable construction standards to achieve a BREEAM 'excellent' rating, including utilising thermally efficient, one metre thick straw wall panels.

**£3.4** billion

in new lending commitments to SMEs

**£240** million

in new loans provided to the social housing sector in 2012



## Santander Breakthrough

In 2011 Santander UK launched the Breakthrough programme aimed at helping fast-growing SMEs, to boost economic recovery and the creation of local employment.

Breakthrough offers mezzanine-type debt finance to high-growth SMEs in the UK with a turnover of between £0.5 million and £10 million. We know that businesses of this size struggle to find finance to help them break through to the next level of growth and we aim to help around 200 businesses achieve their goals over the next five years through a £200 million Growth Capital Fund. During 2012 we provided £5 million of growth capital funding to four businesses.

In addition to finance, we provide fast-growth companies with the resources and knowledge they need to achieve their growth potential through:

- ▶ **Live events** – providing an opportunity for owners and managers to meet their peers and learn from successful entrepreneurs. Ten regional events took place in 2012, free to SMEs.
- ▶ **Masterclasses** – giving managers of growing businesses the opportunity to experience first hand how other fast growth businesses and iconic brands have achieved their success. In 2012 we took 23 fast-growth SMEs into Saatchi and Innocent Drinks.
- ▶ **International** – working in collaboration with UK Trade & Investment we are providing selected

SMEs with overseas trade missions, to meet potential customers and suppliers and identify new opportunities for growth. In 2012 we took 10 businesses to Brazil and we ran a trip specifically for female entrepreneurs to Boston and New York.

- ▶ **Internships** – providing graduates with paid internships at entrepreneurial small businesses, helping SMEs attract talent and graduates to gain valuable work experience.

## Breakthrough Responsibly

A key element of Breakthrough is to encourage entrepreneurs to grow their businesses responsibly. Working in partnership with Business in the Community (BITC), we are supporting a range of initiatives aimed at helping SMEs to develop and embed their own CSR actions.

The Responsible Business Check Up is a benchmarking tool developed by BITC for smaller companies to help them manage their stakeholder responsibilities. We are supporting the roll-out of the tool to the small business community. SMEs receiving funding from the Breakthrough Growth Capital Fund are required to undertake the Check Up to make sure the growth we are supporting is based on CSR principles.

We are also sponsoring the Responsible Small Company Award, part of BITC's Awards for Excellence, that recognises those SMEs that are CSR exemplars and

## YOURVETS

YourVets was established in 1997 to provide affordable veterinary care and has grown rapidly since the current management took over in 2002 with the opening of four new practices in Rayleigh, Coventry, Dagenham and Solihull.

YourVets received £1.25 million from the Breakthrough Growth Capital Fund to expand the business from its current seven practices to 11 over the next two years, creating 150 new jobs. The loan includes Regional Growth Fund support from the government.

YourVets have also benefitted from the other pillars of the Breakthrough programme having attended Masterclasses and Live networking events. They also recruited an intern from Warwick Business School through the Internships programme who was offered a full time job at the end of his three month internship.

in 2012 Midlands-based food company Cleone won the category.

In 2012, we supported a series of 11 BITC Enterprise Inquiries with the Department for Communities and Local Government to identify ways in which larger companies can support SMEs by opening up their procurement policies and supply chains. The events which took place in cities impacted by the previous year's civil unrest saw around 350 small companies attend the workshop events to hear from SMEs who had accessed large corporates in their area, and those who were facing challenges. An Enterprise Growth Checklist developed following the events brings together the learnings from the participants and provides a series of recommended actions that corporates can take to support small companies.

## Environmental Management

Santander UK is committed to creating a strong business that is not achieved at the expense of the environment. Our aim is to identify and implement environmentally responsible management practices and operational procedures in order to reduce the overall environmental impact of the business.



Our Environmental Management System (EMS) provides a framework for defining responsibilities and processes in relation to waste, energy, water, travel and supply chain management. An EMS working group of internal stakeholders meets quarterly to discuss the impacts and outcomes of the EMS and take responsibility for addressing issues.

The EMS was established in 2010 at our head office in London and has been instrumental in helping us to achieve a good standard of environmental management and in 2011 the office achieved ISO14001 accreditation. We passed the ISOQAR audits in 2012 and were re-accredited.

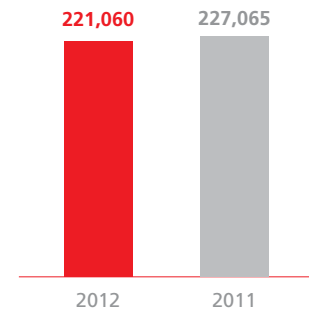
We began to roll out the EMS to our other main office properties in 2012 and appointed environmental co-ordinators in Leicester and Milton

Keynes. IEMA Foundation Training for Environmental Auditors was provided to the co-ordinators. The roll out will continue through 2013 with the objective of establishing an EMS at each of our 14 major offices in the UK.

### Energy usage

Our new combined approach to energy and specialist services management was launched in 2012. This has been instrumental in helping us to track and manage our environmental impact more accurately and provides us with consolidated reporting streams to monitor our energy consumption performance from building to business level. This more detailed management information has allowed us to target specific properties to reduce energy consumption. In 2012 electricity consumption reduced by 1.93% and gas by 5.73%.

### TOTAL ENERGY USE (MWh)



**1.93%**  
reduced electricity consumption

**5.73%**  
reduced gas consumption

During 2012 we continued to use green electricity in our main offices through bio-mass supplies from Haven Power. Biomass is a type of fuel that is derived from waste, vegetation and plant material that would otherwise have a negative impact on the environment. Green energy usage equated to approximately 63% of our electrical use in the year.

We have made a commitment to use green energy until 2014 and in early 2013 we moved all our British mainland electrical supplies to Haven Power. In Northern Ireland all electrical supplies use various forms of renewable energy via Airtricity.

### Carbon management

Santander UK falls within the government's mandatory Carbon Reduction Commitment (CRC) scheme. The system is the UK's climate

change and energy saving initiative aimed at improving energy efficiency and cutting emissions in large public and private sector organisations. The latest league table published by the Government in early 2013, shows we have achieved a reduction in our Carbon Impact down from 111,855 tonnes to 109,222 which puts us in the top quintile.

We achieved the Carbon Trust Standard for our entire business portfolio in 2012 (previously it was just for the former Abbey part of the business), awarded in recognition of the continued reduction in our carbon footprint across energy usage and business travel. The award demonstrates our commitment to continue to measure, manage and reduce our carbon emissions year on year. We received a Carbon Management score of 80%, higher than the average banking sector score of 73%, and one of the highest awarded in 2012, and an increase on our 2010 score.

This continual reduction is primarily due to the investment in new technology, and the continued commitment of our staff to do their part in helping to reduce our impact on the environment.

### Green financing

Bloomberg Markets magazine named the Banco Santander Group as one of the 'greenest banks in the world' for the second year running in 2012. The annual survey analysed 48 banks from 19 countries, with capitalisation in excess of \$10 billion, and reviewed two factors: investment in clean energies and the reduction of the bank's environmental impact. Santander was the highest-ranking bank in the world in terms of financing, reflecting the bank's long-standing commitment to finance renewable energy projects.

### BRANCH ENERGY SAVING SCHEME

We piloted an energy saving initiative across 14 branches in South Manchester in the autumn. The aim of the Kill-A-Watt scheme was to raise awareness and challenge the branches to reduce their energy use over an eight week period.

The branches were targeted with a 10% reduction in energy usage and were provided with an advice pack and support materials to help them achieve it. A Green Champion was appointed in each branch to promote the campaign and encourage changes in their colleagues' behaviour such as switching off lights and adjusting heating and air conditioning controls.

The results showed a total energy reduction of 14% across the region, with the winners, Sale branch, achieving a 27% reduction. The Kill-a-Watt challenge will be rolled out nationally in 2013.

In the UK Santander provided a £13 million funding package to FS Wind Ltd in 2012 to construct a wind farm in Lanarkshire, Scotland. The wind farm will include three new onshore wind turbines, expected to generate around 9MW of electricity, enough to power around 5,000 homes and displacing 12,000 tonnes of CO<sub>2</sub>.

Further funding of around £70 million is currently under review for renewable energy developments in 2013 in the UK, including solar, hydro and on-shore wind projects.

### Resource management

The recorded amount of waste produced at Santander UK reduced by 32% in 2012 compared to 2011,

mainly as a result of improved data measurement. We introduced a more stringent approach to our confidential waste weighing process and we now test weigh a volume of sacks every three months and adjust the weight per quarter accordingly.

The amount we recycled increased by 9.5% in the year compared to 2011. This improvement has mainly been achieved by the continued standardisation and simplification of our recycling processes in our office network and the introduction of a new dry materials recycling regime throughout the branch network.

In late 2012, we began a food waste trial for an Anaerobic Digestion scheme, diverting our food waste to an Energy from Waste (EfW) process. We expect to roll this out to all our office buildings with restaurant or eating facilities in 2013.

We won the Silver Award at the Letsrecycle.com convention for our "Zero to Landfill" project with our Head Office supplier and in 2012 were shortlisted for the Materials Recycling Weekly awards. We also won the Green Apple gold award in the Banking and Finance category from The Green Organisation.

### Water usage

Our consumption of water is limited given the nature of our operations. It is used for facilities and heating/cooling use. There was a reduction of almost 12% in 2012 compared with 2011 due to improvements in meter readings, and the reduction in our branch portfolio.

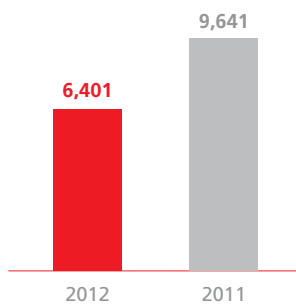
### Paper usage

We use a relatively significant amount of paper as part of our every day business for head office printing, photocopying, stationery supplies and customer marketing literature.

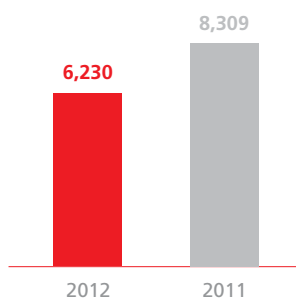


**WASTE INFORMATION**

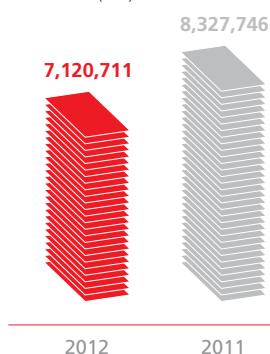
WASTE COLLECTED (tonnes)



WASTE RECYCLED (tonnes)

**14%**less paper was used  
compared to 2011

PAPER USED (KG)



Our print suppliers have ISO14001 certification and maintain full Forestry Standards Commission chain of custody.

In 2012, we changed the printer/photocopier settings in the branch network to two-side printing as a default to save paper.

Paper usage reduced by 14% in 2012, primarily due to a reduction in marketing inserts in customer mail.

We developed a pilot in 2012 to introduce paperless banking to our banking and savings customers. In 2013 we will begin to roll the project out to our online banking customers and notify them that they are being switched to paperless statements. Customers will have the option to opt out if they would prefer to keep receiving paper statements. We expect to have completed roll out of the programme by the end of the year.

**Business travel**

In 2012 we continued to educate staff on travel avoidance and the best mode of travel. We have been working with our corporate travel agent to ensure that visibility is clear on the carbon impact and cost when travelling. Business areas receive travel reports to allow them to monitor their travel impact and see how they can help to reduce both carbon and cost.

We encourage staff to avoid travel through the use of audio conference, video conference and telepresence. During 2012, we ensured that meeting rooms with video conferencing equipment are booked for video conference meetings only and not face-to-face meetings. This increased our video conference usage and further investment in video conferencing and telepresence equipment is planned for 2013.

Santander UK actively promotes the Cycle2work scheme and 317 members

of staff signed up in 2012, using their bikes to commute to work across the UK.

We are working with various councils and public transport companies where our main offices are located, reviewing service schedules and capacity on key routes that serve our offices to encourage staff to utilise public transport to get to and from work.

**Employee engagement**

During 2012 there was a continued focus on educating our employees about the impact our business has on the environment. Themed 'Go Green' campaigns and roadshows were run to engage staff and encourage them to adopt more environmentally friendly behaviours.

The 'Reduce, Reuse, Recycle', 'Greener Travel' and 'Energy Saving' campaigns used internal communication tools to highlight simple changes staff could make such as switching to two-side printing to reduce paper, turning off IT and electrical equipment, and using video conferencing to hold meetings to reduce business travel.

Go Green roadshows took place at our offices in Glasgow, Bradford, Bootle, Leicester, Milton Keynes and London. These live events encouraged staff to take part in environmentally themed games and competitions, including testing their fuel efficiency on a driving simulator and switching off lights in a 30 second challenge.

Throughout 2012 staff volunteered to get involved in the Go Green campaign by joining the Green Club environment champions scheme. By the end of the year 221 employees were signed up to help to promote our environment campaigns and deliver Go Green messages to their colleagues.

## Supply Chain

Through our purchasing procedures we aim to treat our suppliers fairly and we require staff to comply with our conduct manual to ensure our activities are unbiased and responsible.

In 2012 we spent £1.8 billion with 1,752 external suppliers and intra-group companies, to purchase the goods and services we need to run the business.

### Responsible purchasing

In our purchasing activity we aim to treat potential and current suppliers fairly. To do this we have a clear Cost Management & Procurement Policy and process. Compliance with the Policy is enforced so that all significant purchases from suppliers (including intra-group companies) are managed in line with it. Key points are:

- ▶ Requests for expenditure are formalised with the business area required to raise a spend request.
- ▶ Spend requests are subject to a series of budget assignment approvals before any commitment of funds can be made to suppliers.
- ▶ Spend requests that require sourcing activity (tendering, selection, negotiation, award and contract development) as they are new requirements, one-off requirements or existing contracts nearing their end are referred to intra-group company Aquanima to source.

A consistent approach is followed across all supplier sourcing activity which includes:

- ▶ Formal 'Request for Proposal' documents that follow a prescribed format.

- ▶ A controlled process for managing the proposals received from suppliers to prevent any supplier getting an unfair advantage, including scoring of suppliers' proposals.
- ▶ Business manager sign-off on the shortlist of suppliers.
- ▶ The use of electronic sourcing whenever possible to minimise subjectivity.
- ▶ Regular contract reviews.
- ▶ Standard documentation and approval processes for strategies and awards.

We require all staff negotiating with suppliers 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.

### Responsible payment

We aim to pay our suppliers in line with agreed payment terms and our standard terms are 30 days. Independent figures from Experian show that our payment performance in 2012 was an average of 11 days beyond terms compared to the banking and finance industry average of 35 days.

Santander UK is a signatory to the Prompt Payment Code which encourages businesses to:

- ▶ Pay suppliers on time.
- ▶ Give clear guidance to suppliers on payment procedures.
- ▶ Encourage suppliers to adopt good practice with regard to their supplier payments.

### CSR and our suppliers

We aim to work with suppliers who act in an ethical and responsible way. The processes for supplier selection and authorisation and for checking the ongoing suitability of existing suppliers take into account the extent to which businesses have established codes of conduct, certifications or other internal

regulations that confirm compliance with recognised CSR guidelines.

New contracts include a clause requiring suppliers to follow the principles of our CSR Protocol, where relevant. The protocol is based on the UN Global Compact and covers human rights, labour standards, environment and anti-corruption.

## SCOTTISH BRAILLE PRESS

Scottish Braille Press is a leading provider of high quality alternative formats such as Braille, Large Print and Audio. The company provides statements and literature for Santander UK's visually impaired customers in alternative formats. They employ 25 staff with a range of disabilities. Staff who are blind or visually impaired have Braille and large print skills and understand both the transcription process and the output formats used from the perspective of the bank's customers.

## SPEND CATEGORY % OF TOTAL SPEND

<b>Technology</b>	
services, storage equipment, maintenance, software	<b>48</b>
<b>Operational</b>	
printing, data storage & archiving, credit scoring & referencing	<b>23</b>
<b>Property</b>	
security services, furniture, equipment, maintenance, utilities	<b>14</b>
<b>Decentralised</b>	
legal, audit, consultancy & professional fees, insurance	<b>5</b>
<b>Marketing</b>	
agency fees, media, merchandising, hospitality, PR, sponsorship	<b>5</b>
<b>Employment</b>	
recruitment, temporary staff, contractors, training	<b>3</b>
<b>Institutional</b>	
conferences, banking charges, subscriptions, donations	<b>2</b>

# EMPLOYEES

Our goal to be the best bank for our customers, whether SME or retail, is only achievable if we reach our aspiration to be the best place to work for our employees. A workplace that provides excellent opportunities for career progression, a culture that recognises individual needs and encourages accountability and teamwork are key to achieving this goal.

## Reward and remuneration

Pay levels and bonuses continued to be a significant issue for the financial services sector in 2012 though, as a retail-focused bank, the high figures often quoted in the media are not reflective of our business. However, we have continued to ensure that all our policies and practices are compliant with the FSA Remuneration Code and reflect industry best practice wherever possible.

Salaries are targeted to the median levels for the industry and we work in partnership with our unions to ensure that we have robust frameworks in place to deliver an equitable reward strategy, including a common approach across the business to grading and salary ranges.

In March 2012 we agreed a pay deal with our unions which was higher than other major UK banks with a market leading award of up to 2.7% for a successful performer. Employees received a fixed percentage pay increase based on their performance rating and position in the salary range for their role.

## Pension provisions

We also look to provide staff with pension arrangements that are fair,

competitive and sustainable. All our employees are eligible to join one of our pension schemes, and 76% have chosen to do so. Fifty nine percent of staff are in Defined Contribution (money purchase) schemes, mainly the Santander Retirement Plan, launched in 2009, which continued to achieve a participation rate of around 80% of eligible employees. 20% of staff are in a Defined Benefit (final salary) scheme, which is closed to new joiners. Besides benefiting from tax relief on their contributions, employees can also save National Insurance by participating in our pension schemes.

We provide pre-retirement courses for employees aged 55+ and will introduce financial education seminars in 2013 as a new employee benefit.

## Enhanced benefits

We provide employees with a selection of benefits that aims to reflect the diverse nature of our workforce. Throughout 2012, we worked to enhance the options available with the addition of a number of benefits through a new flexible scheme called 'You choose...'. The scheme offers employees the opportunity to select from a suite of 18 benefits ranging from Critical Illness and Medical



## SANTANDER IS YOU

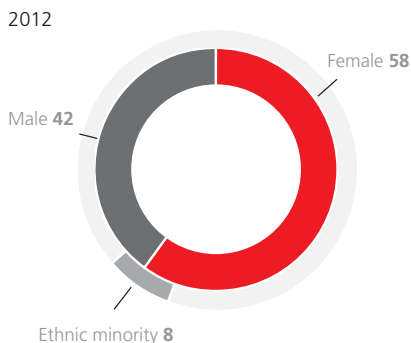
The 'Santander is you' global HR programme aims to promote the benefits of working for the bank. In 2012 a new 'Santander is you' internal brand identity was launched and this was used to support the communication of our new UK values: Teamwork, Commitment, Innovation and Excellence. 2012 also saw the first 'Santander is You' Flame Relay challenge which saw 200 staff take part in a north to south road trip to raise money for our charity of the year partner.

Insurance to Apple products. Following an initial election event in November 2012, launched via our new employee portal, You choose benefits began in January 2013.

The new portal includes all the tools, information and guidance Santander UK employees need and is designed to make life easier with a wealth of information in one place that can be accessed from work, home or on the move.



## EMPLOYEE BREAKDOWN %



**83%**

of staff responded in the 2012  
Employee Opinion Survey

**76%**

of scores were favourable

## An Inclusive Workplace

### Promoting diversity

We are committed to supporting diversity and creating an inclusive culture where all our people feel valued and are able to work at their best and can contribute to our success.

The Diversity & Inclusion Steering Committee provides governance, direction and impetus to achieve our objectives in this area. Key achievements during 2012 included:

- ▶ Establishing three staff-led internal networks: Women in Business, Cultural Awareness and Enable! Positive about Disability
- ▶ Winning the Employers' Network for Equality & Inclusion Excellence in Training Award for our Diversity Awareness Training for Senior Leaders
- ▶ Celebrating diversity through regular internal communications, focusing on important cultural events and faith festivals.
- ▶ Creating a Work/Life Week campaign to raise awareness of the support we provide to help staff achieve a balance between work and other commitments.
- ▶ Sponsorship of the Opportunity Now Gala Awards & Dinner which included a Santander UK Award – Inspiring the Workforce of the Future.

We achieved bronze status in the Opportunity Now gender equality and Race for Opportunity benchmarks and were featured in The Times Top 50 Employers for Women list for the second consecutive year. We also participated in the Business Disability Forum's Disability Standard.

Lord Davies' report, "Women on Boards", published in 2011, set an inspirational target of 25% female

representation on Boards of FTSE 100 companies by 2015. At Santander UK, 17% of the Board is female.

### Listening to our employees

In 2012 our annual Employee Opinion Survey achieved an excellent response rate of 83%. Overall, favourable scores were up 0.7 percentage points, taking them to 76%. The Working Together area has historically had the lowest score however this showed the largest improvement moving up 2.9 percentage points to 64%.

Increased favourable scores were seen in all other categories too, including Delivering for Customers which was up 2.1 percentage points. The question, "In my experience the overall quality of customer service provided by Santander is good" received an increase in favourable scores by 5.5 percentage points, moving it to 71% favourable. This increase shows that our employees endorse the improvements we are making to customer service.

We achieved 'Ones to Watch' status in The Sunday Times Best Companies to Work For initiative in 2012. And our internal engagement scores received further ratification through our listing in Britain's Top Employers.

### Working in partnership

Santander UK has a long history of trade union recognition governed by a Partnership Agreement with Advance, recognised in the former Abbey and Bradford & Bingley parts of the business, and Recognition Agreements with the Communication Workers Union (CWU), recognised in the former Alliance & Leicester parts of the business. Both unions are affiliated to the Trades Union Congress.

We consulted our trade unions throughout 2012 on significant proposals and change initiatives within the business at both national

and local levels. We held regular Joint Consultative and Negotiating Committee meetings to enable collaborative working and ensure that communication is open and two-way.

As part of the branch network review, we undertook a restructure of the Retail Banking division and we worked closely with both unions during the process which included a review of the divisional and regional staffing structure.

Joint pay negotiations took place with Advance and CWU in January 2012. The pay deal was positioned very positively in the joint communications released to employees, as well as within individual union communications. Ninety one percent of CWU members voted in favour of the pay agreement in a consultative ballot. We also implemented a new National Unsociable Hours Payment on 1st September 2012 benefitting staff that work a maximum of five hours between 9pm and 6am.

We also continued work with our unions to align a number of the remaining former Abbey, Alliance & Leicester and Bradford & Bingley people policies. In December 2012 agreement was reached on changes to our reward framework which included the introduction of new National Pay Progression arrangements.

### Keeping staff informed

We communicate with employees through online, printed and face-to-face communications. The intranet is the focal point for communications with daily updates on what is happening across Santander in the UK and worldwide. The intranet also houses 'The Village', a website for staff to find and share information, ideas and best practice, as well as our online quarterly staff magazine 'Ideas'.

We have a programme of regular conferences and events across the company, the annual Convention in February being the largest of these. Around 2,000 retail and operational managers hear from the CEO and senior management team about the priorities for the year ahead and beyond. Post-event online briefing materials ensure the whole company receives the same messages and is focused on achieving the same goals.

### Developing highly skilled people

#### Attracting new talent

We launched a new Early in Career programme in 2012 bringing our various development schemes together and providing a co-ordinated approach to attracting young people and people new to our sector in to Santander UK.

We offer A-level students a three or four year 'Flying Start' development programme which supports them to achieve a degree level qualification. The 2012 recruits joined Business Banking in Bootle, near Liverpool. We also piloted a new apprenticeships scheme in 2012 and our first apprentices will be joining our Contact Centre in Bradford in early 2013. We recruited 91 graduates in 2012, and provided 44 paid summer intern positions for penultimate year students.

We will see a dramatic increase in our Early in Career recruitment in 2013 with a new suite of propositions being

offered for the first time including on our Career Gateway programme which has been specifically designed for graduates who have typically gained some work experience post degree. And we have committed to recruiting up to 275 apprenticeships for 2013, offering people an opportunity to obtain a relevant qualification in either Customer Services or Providing Financial Services.

### Supporting social mobility

Santander UK is a signatory to the Government's Business Compact, committing the bank to providing employment opportunities to people from diverse backgrounds. In 2012 we launched 'WorkWise' which aims to address youth unemployment through a range of partnerships with voluntary organisations, in tandem with our Early in Career programme.

In 2012 Santander UK supported nine Career Academies located near our main offices. Career Academies UK is a charity that works with schools and colleges, predominantly in urban areas of social need, to raise the aspirations of 16 to 19-year-olds across the country. Career Academy students follow a rigorous two-year programme aimed at boosting employability skills by giving them real life experience of the workplace, alongside school or college study equivalent to at least three A levels. In addition to funding the materials and resources to run the academies, we also provided paid six week internships to 46 students over the summer.



The Prince's Trust gives practical and financial support to develop key skills and confidence in young people who are not in work, education or training. Santander provides funding for 'XL', a personal development programme that works with 13 to 19 year olds who are underachieving in education or are at risk of exclusion.

We also provided funding for Common Purpose's Frontrunner leadership and education course, specifically targeted at disabled students, to help develop their leadership skills. In 2012, 77 students undertook the course bringing the total number of students that have completed it since it launched in 2010 to 214.

### Developing talent

We provide an online talent and succession planning tool for managers that gives an insight into how we can best support career development in Santander UK. This was rolled out to over 800 people in 2012, and since its launch in 2008 over 3,800 employees have benefited.

Our development and mobility committees provide tailored development support for senior managers and executives. Fifty

attended a committee and a further 113 senior managers attended divisional talent committees in the year.

One of the key ways we personalise development for senior staff is to provide business coaching and internal mentoring, maximising on job development, in addition to formal training programmes. In 2012 London Business School continued to provide senior level training which 156 senior managers have attended since the programmes began in 2008. Around a third of our executive managers attended 120 days of executive development programmes hosted by the Banco Santander group in Madrid.

### Performance management

Our performance management process aims 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 2012 the performance management form and suite of supporting guides, documents and training was revised to make it easier to use and access for both managers and other employees. To ensure that all managers were fully aware of their responsibilities a new mandatory performance management course was introduced. For the most senior managers a corporate performance management process was introduced in 2012, supported by a Group-wide system.

### Learning and knowledge

Our online induction programme provides all new starters with a multimedia learning experience about Santander UK. Accompanied by a new face-to-face training course, the Santander UK Induction ensures all new starters receive the same consistent messages about the bank's priorities.

157 business specific inductions, or Academies as they are known, were run throughout 2012, including 149 Branch Academies and 8 Financial Planning Manager Academies.

In our Risk division over 15,648 development hours and 1,187 technical e-Learning solutions were delivered and we invested significantly in our Risk managers with over 170 leadership modules provided. Over 24,000 hours of face-to-face training were delivered to Corporate Banking staff, 11,935 of those for new joiners in Business Banking.

In Telephone Distribution we invested 51,839 hours of training for 863 employees in product knowledge, sales process, technical and soft skills training.

In 2012 we continued our investment in our professionals with 119 staff supported in qualifications to further their expertise in areas such as risk management, audit and financial management. We also supported professional CeMap qualifications for 61 Mortgage Consultants.

### New online tools

Our online Learning System was improved with new functionality and tools to enable greater sharing and packages of learning and knowledge. Online lessons were also launched in the year which draw on the individual pieces of curriculum available on the site, and external internet based content, collecting them into logical order to help staff through semi-structured learning at a pace they choose.

A new approach to mandatory training was also developed with each course improved to produce an enhanced suite of solutions. These will be launched in February 2013.



### Regulated areas

Throughout 2012 we continued to support the development of our sales force in achieving regulatory qualifications, providing access to online material and 143 exam revision workshops. In line with our succession planning approach we have continued to support aspiring mortgage professionals by providing online and face-to-face support to achieve IFS CeMAP qualifications.

### Health, Safety and Wellbeing

We are committed to creating a safe and healthy environment for our employees and a dedicated telephone and on-site advisory service is available for both managers and other staff.

Working in partnership with our unions, we convened Quarterly Health and Safety Committees and a Joint National Health and Safety Forum in November.

### A safe place to work

Our Health and Safety Consultants carry out on-site assessments and give practical advice, training, coaching and support to line managers across the business. In total over 6,000 calls were received by the team and 804 site visits were made during 2012.

Approximately 20% of the branch network, some 240 branches, were audited for safety compliance during 2012. The Property Health and Safety Management System in place across our main office buildings and branches was also audited, including assessments for Asbestos Safety, Water Hygiene, Working at Height and Fire Risk Assessment.

There were 301 accidents during the year, a slight increase on 2011 as it was a particularly wet year which led to a higher number of slips, trips and falls. Of the total, 286 were classified as minor, five resulted in an absence of over seven days and ten were major.

We aim to identify the full range of health risks that affect our staff and make sure they are properly managed. During the year we delivered a range of activities:

- ▶ We designed and introduced a new e-learning solution for annual first aid refresher training to make it more accessible for staff.
- ▶ We improved our pre-employment questionnaire to capture more information about common mental health conditions and disability in order to better support new starters.
- ▶ We became a senior partner of the Government's "Stoptober" health campaign, promoting smoking cessation to our employees.

### Wellbeing

In 2012 we produced quarterly Health and Lifestyle Updates which dealt with a range of issues regarding safety, health, wellbeing and lifestyle to support the physical and mental health and wellbeing of our employees.

Santander provides staff, and immediate members of their family, with an Employee Assistance Programme (EAP) which offers a free, confidential telephone helpline available 24/7. Staff can also access face-to-face counselling in appropriate cases. In 2012, we introduced new procedures to promote the EAP to staff who are experiencing significant non work-related stress.

Our Disability Support Forum met regularly and continued to make progress developing systems and procedures to support disabled staff.

### Positive mental health

Stress and anxiety are common causes of absence amongst the workforce and our Mental Health Support Programme helps those who are off sick with anxiety and depression back to work.

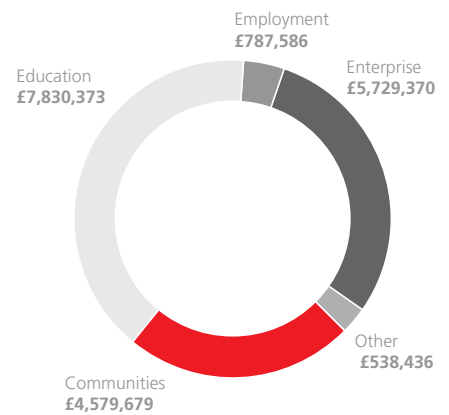
With funding from the Bank Workers Charity we gave staff access to face-to-face counselling in 2012 on a broad range of life events, including non work-related stress. We ran a second Positive about Mental Health Training pilot in three contact centres with excellent feedback received from the managers who took part.







## SOCIAL CONTRIBUTION 2012



## SOCIAL INVESTMENT

Our business is predominantly focused on retail banking and small businesses and so our community investment strategy is based on supporting local organisations, reflecting our local footprint.

**£19.5 million**  
contributed by Santander UK to society in 2012

### Supporting local communities

The Santander Foundation provides grants to local charities, support for students is co-ordinated via Santander Universities and Santander Breakthrough assists small businesses. Together these three flagship programmes provided over £12 million of funding in 2012 and are key to meeting our objective to focus our support to society on education, enterprise and employment.

In total, Santander UK contributed £19.5 million in 2012 to society, the

majority through cash donations, an increase of 39% compared to 2011. Over the last five years this has increased five-fold, reflecting the growing success of our business and our corresponding ability to increase our community investment.

### Funding local charities

The Santander Foundation provides grants to UK registered charities that help disadvantaged people, usually in communities where Santander branches and business centres are

based and locations where the bank has a significant presence, such as a main office or call centre.

Our central grants programme focuses on education, training and financial capability projects and some £1.2 million was awarded in the year.

In 2012 we introduced a new grants scheme called Community Plus, to provide grants to small, local charities. Customers, staff and charities are invited to nominate a charity for a grant of up to £5,000 for local

projects. Following a successful pilot in the South West in September the scheme was rolled out nationally in the autumn and in total £486,792 was awarded to small charities by the end of the year. In 2013 a Community Plus fund of £1.23 million will be available to continue to support local charities.

Charities are asked to report back on the impact made by our grants and are sent a questionnaire a year after the award. Scores range from 0 for no benefit up to 4 for exceptional, long-lasting benefits. We received a 95% return from the 265 surveys sent out in 2012 with 10% reporting benefits in line with those stated in the original application, 63% significant long lasting benefits and 26% exceptional long-lasting benefits. The charities also told us that they gained a total of £1.74 million of additional resources as a result of our funding which represents 97% of added value leveraged from our donations.

### Supporting social enterprise

Following a successful pilot in 2011, the Santander Social Enterprise Development Awards were launched nationally in June 2012 with a £2 million prize fund. SEDA was set up to support growing social enterprises in the UK, to help them achieve their business goals and support employment, regeneration and local economic growth.

Entrants are asked to provide details of their growth potential, and their plans to increase their impact in one of the following areas: creating employment or training, a greener environment or improving social inclusion. Prizes of up to £50,000 are available for businesses with a turnover of up to £1 million.

Eight regional judging panels were held in the summer and 60 winners were chosen, representing a broad range of industries, impact areas and business size. As part of the

awards winners have access to a free programme of business support to help them maximise their growth potential including advice from specialist consultancy Inspire 2 Enterprise, fully funded internships and mentoring from Santander's SME banking teams.

We have created a proprietary online tool to measure the impact of SEDA on the winners and society with key indicators on income, employment and training, as well as environmental and social benefits. From the 11 pilot winners, we know that a year on, average income has increased by 55%, 13 permanent jobs were created and an additional 370 people received training on employability skills. 6,400 people affected by social exclusion were helped and 500 tonnes of waste were recycled.

# 6,400

people affected by social exclusion helped

# 500

tonnes waste recycled

# 55%

average increase in income



## Time for the community

In 2012 over 1,900 staff volunteered a total of 17,326 hours to support good causes, equating to a value of more than £173,000 of time contributed to the community by Santander.

The most popular volunteering initiative is our Community Days scheme which encourages staff to take a day out of the office to support local charities and community groups through practical projects. In 2012, almost 1,500 staff provided 12,000 hours of time to make a difference to 131 community projects. Projects included gardening, decorating and organising parties for community groups and day care centres.

2012 also saw staff supporting local schools through governor roles and the Santander in Schools financial education programme which provides 14-16 year old students

### SANTANDER IN SCHOOLS

Santander in Schools is a financial education programme which aims to help students gain a clearer idea about money and personal finance. Staff can volunteer to run a financial skills workshop in a local secondary school using the specially developed curriculum compliant materials. In 2012 Learning specialist Fiona Shipsey co-ordinated a joint HR and Graduate programme to deliver the financial education sessions across the UK.

The HR Learning team paired up with our graduates to apply their skills in classrooms across the UK, delivering Santander in Schools workshops helping students gain a clearer idea about the Role of Banks, Savings and Earning. Around 50 staff from across the two teams delivered the financial education sessions in schools up and down the country.

with information about money and personal finance.

## Supporting staff fundraising

Marie Curie Cancer Care was chosen by staff to be our Charity of the Year partner for 2012. Fundraising events included It's A Knockout and a Santander Flame Relay and together we raised over £1 million to fund more than 37,500 hours of free nursing care for people with cancer and other terminal illnesses. £200,000 raised by staff who trekked the Great Wall of China supported the development of Marie Curie's new hospice in Solihull, West Midlands. The enthusiasm and commitment of our staff, coupled with the generosity of their families and customers who supported them, was key to a record breaking charity partnership which saw almost twice as much raised through the scheme than last year.

In 2012 we also supported the British Heart Foundation's programme of 35 cycling events, including their flagship London to Brighton bike ride which saw new night and off-road events introduced in the year. Over 100 staff took part in the events, which raised over £5 million in total.

Staff were also supported in raising funds for hundreds of other UK charities with some £1.7 million contributed to boost their efforts through the Matched Donation scheme in 2012.

## Sporting Heroes

The Sporting Heroes scheme aims to support our employees in their sporting achievements outside the office. The scheme features a Hall of Fame for employees who are involved in competitive sports, tracking their progress and showcasing their efforts and successes. Those who are competing at international level are invited to join the Sporting Heroes Elite, where they are awarded £1,000



in sponsorship to help with their equipment and training costs.

Through Sporting Heroes Grassroots staff can also nominate local community sports clubs and groups to receive free training kit and equipment and 267 sports groups benefited from the scheme in 2012.

## Santander Community Awards

Our annual Community Awards celebrate the efforts of staff who play an exceptional role in their community. Eight winners were chosen this year including Liz Smilie, from Santander Ayr branch who has been supporting children's cancer charity CLIC Sargent for the last seven years. In 2012, Liz raised over £30,000 for the charity by organising a number of fundraising events including bag packing, raffles and a black tie gala dinner. A donation of £1,000 is made on behalf of each of the winners to the charity of their choice.

# 267

sports groups received free kit

# 131

community projects helped



## Santander Universities

Santander Universities continues to grow with more partner universities signing agreements with the bank and more students and staff becoming beneficiaries of Santander's long-term commitment to higher education. 2012 saw £6.5 million contributed to the sector in the UK.

**£6.5** million  
of funding to higher education  
institutions



We signed agreements with 11 new universities during the year bringing the total number of UK partners to 66. Emilio Botín, Chairman of the Banco Santander group, supported the activity of Santander Universities UK during 2012. He visited the universities of Surrey and Warwick where he met with their Vice-Chancellors to sign renewals of the existing agreements.

### Santander Universities UK

- ▶ 830 scholarships for international students to study in the UK
- ▶ 724 mobility awards for UK students to study abroad
- ▶ 105 entrepreneurship awards
- ▶ 242 special projects, including support for business incubators and international symposiums
- ▶ 424 internship awards given for students and graduates to work in SMEs

### Formula 1 Scholarships

In July the Banco Santander group Chairman was joined by Formula 1 drivers Jenson Button and Lewis Hamilton to hand out the Formula Santander Scholarships to 100 students. Now in its third year, the programme benefits 300 students from Brazil, Spain and the UK providing a scholarship of 5,000 Euros for each student to study abroad. In Brazil and Spain the programme is supported by Santander-sponsored Formula 1 drivers Felipe Massa and Fernando Alonso respectively.

### Helping students find their first job

In July, Santander UK's CEO, Ana Botín announced the launch of an internship scheme linking graduates to SMEs at an event for our university partners in London's Royal Opera House.

Through the scheme 500 students will be supported to experience a three month paid internship working in a small business, with the possibility of a permanent contract at the end of the placement. The scheme is supported by 55 of our university partners who will place the students in local SMEs and monitor their progress, with the help of a mentor from the business.

### SANTANDER UNIVERSITIES GLOBAL

- ▶ 1,027 co-operation agreements with universities in 20 countries
- ▶ 4,581 academic, financial and technological projects funded
- ▶ 28,303 scholarships and grants
- ▶ 130 million Euros of funding to higher education institutions

## NEW UNIVERSITY PARTNERS

- ▶ University of Liverpool
- ▶ University of Stirling
- ▶ Aston University
- ▶ SOAS
- ▶ Goldsmiths, University of London
- ▶ Nottingham Trent University
- ▶ Cardiff Metropolitan University
- ▶ University of Kent
- ▶ University of East Anglia
- ▶ Kingston University
- ▶ Reading University

**830** scholarships  
for international students

**724** mobility awards  
for UK students to study abroad

The event also celebrated the fifth anniversary of Santander's commitment to the higher education sector in the UK and was attended by some of our international partners including 10 Chilean vice-chancellors and six Ambassadors. Among the speakers who addressed the audience were Sir Eric Thomas, Vice-Chancellor of the University of Bristol and President of Universities UK, and David Willetts, Minister for Universities and Science.

### Entrepreneurship awards

The second year of the Santander Universities Entrepreneurship Awards took place in 2012 and our university partners were invited to submit their best entrepreneurial student projects.

This year the Postgraduate first prize went to the University of Edinburgh for EoSurgical Ltd, which designs and produces innovative, practical and affordable simulators for use in education, training and surgery preparation. The Undergraduate award winners were Loughborough University for Pavegen Systems – a cleantech company manufacturing paving slabs which convert the kinetic energy from footsteps into electricity.

### Inspiring a future generation of entrepreneurs

Ana Botín undertook a tour of 10 British universities in 2012 to give talks to students and academics about the importance of the SME sector and entrepreneurship to support economic growth in the UK. She also met with the Vice-Chancellors of the universities and discussed the impact that Santander Universities UK has

had on the campuses and students. In addition, our CEO hosted the Advisory Board of Oxford's Said Business School at our London head office.

Worldwide, Santander Universities Global Division saw the number of partners rise to over 1,000 with Belgium, Ghana, Korea, UAE, and Singapore joining the programme in 2012.



# KEY DATA

CUSTOMERS	2012	2011
Number of customers (million)	15	15
Customer satisfaction	90.5%	89.6%

Global Competitor Tracker internal survey that monitors the performance of Santander UK against key competitors, some 2,400 consumers.

The Financial Research Survey ('FRS') is an independent monthly survey of circa 5,000 consumers covering the personal finance sector, run by GfK. Overall Satisfaction score refers to proportion of extremely and very satisfied customers across mortgages, savings, main current accounts, home insurance and UPLs. 3 months ending data December 2011 and December 2012. Competitor set includes Barclays, Halifax, HSBC, Lloyds TSB, Nationwide and NatWest.

EMPLOYEES	2012	2011
Total employees <sup>1</sup>	24,970	26,194
Total female employees	14,442	15,273
Total male employees	10,528	10,921
Total full-time employees	21,397	22,532
Total part-time employees	3,573	3,662
Total ethnic minority employees <sup>2</sup>	2,015	2,078
Total employees aged over 50	3,751	3,562
Average days absent per employee	8.9	7.7
Employee turnover (%)	16.1	15.4
Average length of service for all employees (years)	8.34	7.66

## Learning

Total number of training days	80,116	113,045
Average number of training days per employee	3.25	4.63
Average amount invested in training per employee (£)	432	434
Staff who have undertaken some element of learning (%)	97.8	96.5
Staff who have undertaken face-to-face learning (%)	26.2	31.6
Staff who have undertaken online learning (%)	97.8	96.4

## Health and Safety

Minor accidents	286	252
Accidents resulting in over 7 day absence <sup>3</sup>	5	2
Major accidents	10	4

1. Total number of Santander UK, Banco Santander Group UK-based employees and Santander UK overseas employees, at 31 December 2012, on a full-time equivalent basis. Male/female, full-time/part-time and 50+ breakdowns use an average for 76 overseas-based FTE, as profile data is not available. All other data does not include the overseas employees.

2. Based on 13,025 FTE who completed the voluntary self-declaration option on profile monitoring forms.

3. The Reporting of Injuries, Diseases, and Dangerous Occurrences (Amendment) Regulations 2012 came into effect in April 2012, extending the absence threshold before an employer must report an accident from three to seven consecutive days. 2011 data shows accidents resulting in absence of over 3 days.

COMMUNITIES	2012	2011
<b>Areas of support</b>		
Communities	£4,579,679	£4,924,134
Education	£7,830,373	£6,077,185
Employment	£787,586	£310,462
Enterprise	£5,729,370	£2,109,658
Other	£538,436	£598,988
<b>Total value of community investment</b>	<b>£19,465,444</b>	<b>£14,020,427</b>

<b>COMMUNITIES continued</b>	<b>2012</b>	<b>2011</b>
<b>Santander Foundation</b>		
Matching staff fundraising	£1,678,384	£1,844,000
Community donations	£1,231,620	£1,065,601
Local branch donations	£1,189,484	£1,128,498
<b>Total value of grants</b>	<b>£4,099,488</b>	<b>£4,038,099</b>
Number of donations	2,037	1,987
<b>Volunteering</b>		
Community Days projects	131	119
Total number of volunteers	1,916	1,961
Value of volunteering time	£173,260	£146,930
<b>ENVIRONMENT</b>		
<b>Fuel sources (MWh)</b>		
Electricity - Green Biomass (MWh)	113,734	115,364
Electricity - Brown (MWh)	67,253	70,983
Gas (MWh)	40,073	42,257
<b>Total energy use (MWh)</b>	<b>221,060</b>	<b>228,604</b>
Oil (Litres)	50,785	74,393
<b>CO<sub>2</sub> emissions from fuel (tonnes)</b>		
Electricity - Green Biomass	0	0
Electricity - Brown	32,084	38,286
Gas	6,836	7,811
Oil	140	197
<b>Total CO<sub>2</sub> released</b>	<b>39,060</b>	<b>46,294</b>
CO <sub>2</sub> released per FTE <sup>1</sup>	1.56	1.77
<b>Resources</b>		
Waste collected (tonnes)	6,401	9,641
Waste recycled (tonnes)	6,230	8,309
Waste recycled (%)	97	88
Paper (Kg) <sup>2</sup>	7,120,711	8,327,746
Water (m <sup>3</sup> )	296,411	321,913
<b>Business travel (km)</b>		
Air travel – domestic	5,165,682	5,796,072
Air travel – short haul Europe	7,432,756	6,903,990
Air travel – long haul International	3,795,251	3,793,347
Car	24,225,779	33,559,285
Rail	9,019,540	23,832,936
<b>Total</b>	<b>49,639,008</b>	<b>73,885,630</b>
<b>CO<sub>2</sub> from business travel (tonnes)</b>		
Air travel – domestic	930	1,080
Air travel – short haul Europe	764	730
Air travel – long haul International	446	467
Car	4,640	6,796
Rail	409	1,273
<b>Total</b>	<b>7,189</b>	<b>10,346</b>
<b>CO<sub>2</sub> released per FTE</b>	<b>0.29</b>	<b>0.39</b>

1. No. UK staff FTE - 24,970

2. 2011 re-stated due to improvements in data collection.

# GRI INDICATORS

## STANDARD DISCLOSURES: PROFILE

GRI indicator	Page Ref / Resource	Notes
<b>1. Strategy and Analysis</b>		
1.1 Statement from the senior decision-maker of the organisation	4	
<b>2. Organisational Profile</b>		
2.1 Name of organisation	3	
2.2 Primary brands, products and/or services	5	
2.3 Operational structure of the organisation	8	
2.4 Location of headquarters	Back page	
2.5 Number of countries where the organisation operates	-	UK only
2.6 Nature of ownership and legal form	8	
2.7 Markets served	5	
2.8 Scale of reporting organisation	5	
2.9 Significant changes during the reporting period	-	
2.10 Awards received in the reporting period	2	
<b>3. Report Parameters</b>		
3.1 Reporting period	3	
3.2 Date of most recent previous report	3	
3.3 Reporting cycle	3	
3.4 Contact point for questions regarding the report	Back page	
3.5 Process for defining report content	6	
3.6 Boundary of the report	6	
3.7 State any specific limitations on scope/boundary	-	No limits on scope or boundary
3.8 Basis for reporting on joint ventures, etc	-	Santander UK plc only, no other entities reported on
3.10 Explanation of any effects of any re-statements	-	None made
3.11 Significant changes from previous reporting periods	-	None made
3.12 Table identifying the location of Standard Disclosures in the report	34,35	
3.13 Policy and practice with regard to external assurance	36	
<b>4. Governance, Commitments and Engagement</b>		
4.1 Governance structure of the organisation	8	
4.2 Indicate whether the Chair is also an executive officer	8	
4.3 State the numbers of independent and/or non-executive directors	8	
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	-	Annual Employee Opinion Survey, Union Representation, Whistleblowing Policy, Shareholder AGM
4.14 List of stakeholder groups engaged	6,7	
4.15 Basis for identification and selection of stakeholders	6	Based on Business in the Community programme areas.
4.16 Approaches to stakeholder engagement	6	Annual Employee Opinion Survey, Customer surveys, Community survey

## STANDARD DISCLOSURES: PERFORMANCE INDICATORS

GRI indicator	Page Ref / Resource	Notes
<b>Economic</b>		
EC1 Direct economic value generated and distributed	5	
EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change	18,19	
EC3 Coverage of the organisation's defined benefit plan obligations	AR	
EC4 Significant financial assistance received from government	-	None received
EC8 Development and impact of infrastructure investments and services for public benefit	14-17	

## STANDARD DISCLOSURES: PERFORMANCE INDICATORS continued

GRI indicator	Page Ref / Resource	Notes
<b>Environmental</b>		
<b>Materials</b>		
EN1 Materials used by weight or volume	33	
<b>Energy</b>		
EN3 Direct energy consumption by primary energy source	33	
EN5 Energy saved due to conservation and energy efficiency improvements	33	
EN6 Initiatives to provide energy-efficient or renewable energy-based products and services	19	
<b>Water</b>		
EN8 Total water withdrawal by source	33	Water source: mains
<b>Emissions, effluents and waste</b>		
EN16 Total direct and indirect greenhouse gas emissions by weight	33	
EN17 Other relevant indirect greenhouse gas emissions by weight	-	None reported
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved	18,19	
EN22 Total weight of waste by type and disposal method	33	
EN26 Initiatives to mitigate environmental impacts of products and services	18-20	
<b>Compliance</b>		
EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	-	No violations
<b>Transport</b>		
EN29 Significant environmental impacts of transporting members of the workforce	33	
<b>Social: Labour practices</b>		
<b>Employment</b>		
LA1 Total workforce by employment type, contract and region	32	
LA2 Total number and rate of employee turnover by age group, gender and religion	32	
<b>Labour/management relations</b>		
LA4 Percentage of employees covered by collective bargaining agreements	-	All employees below director level
<b>Occupational health and safety</b>		
LA7 Rates of injury, occupational diseases, lost days and absenteeism	32	
<b>Training and education</b>		
LA10 Average hours of training per year per employee by category	32	
LA11 Programs for skills management and lifelong learning that support the continued employability of employees	24,25	
LA12 Percentage of employees receiving regular performance and career development reviews	25	
<b>Diversity and equal opportunity</b>		
LA13 Composition of governance bodies and breakdown of employees per category according to age, gender, minority and other indicators of diversity	32	
<b>Social: Society</b>		
<b>Community</b>		
SO1 Percentage of operations with implemented local community engagement, impact assessments and development programme	-	All UK operations covered by community programme activities.
<b>Public policy</b>		
SO6 Total value of financial and in-kind contributions to political parties, politicians and related institutions	-	No political payments made
<b>Social: Product responsibility</b>		
<b>Product and service labelling</b>		
PR3 Type of product and service information required by procedures	9	
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	11	

Based on the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, Version 3.1  
Our external auditors have checked our reporting and confirmed it to be Application Level C+ (Third-party-checked)  
AR - the indicator information is disclosed in the Santander UK plc Annual Report on Form 20-F





## ASSURANCE STATEMENT

### **SGS UNITED KINGDOM LTD'S STATEMENT ON SUSTAINABILITY ACTIVITIES IN THE SANTANDER UK PLC CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT FOR 2012**

#### **NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION**

SGS United Kingdom Ltd was commissioned by Santander UK plc to conduct an independent assurance of the CSR Report 2012. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and 2012 data in accompanying tables, contained in this report.

The information in Santander UK plc's CSR Report 2012 and its presentation are the responsibility of the directors and the management of Santander UK plc. SGS United Kingdom Ltd has not been involved in the preparation of any of the material included in Santander UK plc's CSR Report 2012.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of the verification set out below with the intention to inform all Santander UK plc's stakeholders.

This report has been assured at a high level of scrutiny using our protocols for:

- evaluation of content veracity;
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines G3.1 (2011).

The assurance comprised a combination of pre-assurance research, interviews with relevant employees at the head office in London and offices in Milton Keynes; documentation and record review, and evaluation of the report for materiality.

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 plc, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised a Certified Sustainability Assurance Practitioner, Social Responsibility Lead Auditors and an auditor registered with IEMA (Environmental Auditor).

#### **VERIFICATION/ ASSURANCE OPINION**

On the basis of the methodology described and the verification work performed, we are satisfied that the verified information and data contained within the CSR Report 2012 is accurate, reliable and provides a fair and balanced representation of Santander UK plc's sustainability activities in 2012.



The assurance team is of the opinion that the report can be used by Santander UK plc's stakeholders.

We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

#### **GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES G3.1 (2011) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

In our opinion, the Santander UK plc CSR Report 2012 meets the content and quality requirements of the Global Reporting Initiative G3 Version 3.1 Application Level C+.

**Principles** – In our opinion the content and quality of the report adheres to the ten GRI Principles. Opportunities were identified for consideration in future reporting cycles to ensure continual improvement, including:

- more information should be included so that the stakeholder identification and mapping processes are clearly described.
- For the material issues included in the report information should be provided to demonstrate the materiality analysis performed and how stakeholder feedback was used to identify these issues.
- Broader sustainability goals and targets, such as industry benchmarks and standards will provide a better context for evaluating Santander's sustainability performance.

**Standard Disclosures** – All the standard disclosures required for reporting at an application level C+ were included or referenced in the report.

**Indicators** – More than the required minimum number of core indicators are included in the report. Santander UK plc has reported on nineteen additional GRI indicators, which is an indication of good practice.

It is recommended that Santander use the GRI G4 as the reporting framework for next year's report and consider evaluation against AA1000AS.

**SGS United Kingdom Ltd**  
**Birmingham, May 2013**

**WWW.SGS.COM**

This document is issued by the Company under its General Conditions of Service accessible at <http://www.sgs.com/en/Terms-and-Conditions.aspx>. Attention is drawn to the limitation of liability, indemnification and jurisdiction issues defined therein.

Any holder of this document is advised that information contained hereon reflects the Company's findings at the time of its intervention only and within the limits of Client's instructions, if any. The Company's sole responsibility is to its Client and this document does not exonerate parties to a transaction from exercising all their rights and obligations under the transaction documents. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law.





# CONTACT DETAILS

Sharon Squire, Head of CSR  
Santander UK plc  
2 Triton Square  
Regent's Place  
London  
NW1 3AN

[www.aboutsantander.co.uk](http://www.aboutsantander.co.uk)  
[community@santander.co.uk](mailto:community@santander.co.uk)

We want to make sure this report is sent to you in the best format. So, if you need it in large print, Braille, audio or in some other format, please let us know using the above contact details.

Santander UK plc. Registered Office: 2 Triton Square, Regent's Place, London NW1 3AN, United Kingdom. Registered Number 2294747. Registered in England. [www.santander.co.uk](http://www.santander.co.uk) Telephone 0870 607 6000. Calls may be recorded or monitored. Authorised and regulated by the Financial Services Authority except in respect of its consumer credit products for which Santander UK plc is licensed and regulated by the Office of Fair Trading. FSA registration number 106054. Santander and the flame logo are registered trademarks.

