

# Corporate social responsibility Report03





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Corporate social responsibility ('CSR') is about how a company can perform in a socially responsible way. For example, how we treat our customers and employees, how we manage our ethical and environmental responsibilities, and how we support the communities we work in. This report looks at what we've done in this area up to 31 December 2003.

At Abbey, we pride ourselves on always trying to improve our CSR performance, and we value feedback from experts in CSR. We complete a number of CSR assessment exercises each year, many of which publicly recognise our performance. Some of these are listed below.



We were once again named a 'Sustainability Leader', and a member of the Dow Jones Sustainability indexes, by SAM Research. These indexes compare our performance against that of financial services companies from around the world, and place our performance within the top 10% of companies with good records of social responsibility.



In 2003, for the third time, we were included in the FTSE4Good Index series. This is compiled by EIRIS, an independent researcher of corporate sustainability and responsibility, who survey around 2800 companies.

**BUSINESS in the**

**COMMUNITY**

We were again included in the Business in the Community (BITC) Corporate Responsibility Index. This index is a voluntary, self-assessment survey, providing an annual benchmark of how companies manage, measure and report their corporate responsibility.



We were awarded a Silver Standard in this index on sex equality.



We came 11<sup>th</sup> out of 97 companies that took part in this index on racial equality, carried out by Business in the Community.



We came fourth in the EFD's Global Inclusion Disability survey, improving six places on 2002.



Oekom research gave our CSR performance a 'B-' rating, ranking us eighth out of 93 companies around the world.

**BUSINESS in the**

**COMMUNITY**

"Abbey has undergone tremendous change in focus and structure. This report sets out how the company is integrating responsible business practice throughout all aspects of the organisation. Abbey is able to demonstrate the link between strategy and impact and provides an inspiring story for all stakeholders."

Julia Cleverdon CBE, Chief Executive, Business in the Community



**Welcome to our fourth corporate social responsibility ('CSR') report, which summarises our performance in 2003.**

It has been a year of tremendous change for Abbey. This started in February 2003 when we announced our new strategy – to become the leading company focusing solely on Personal Financial Services in the UK (see the 'Abbey's new strategy' opposite).

Then, in September, we relaunched the business with a new name and look, and announced plans to turn banking on its head. We began with one main focus – our customers.

We're only one year into our three-year programme of change. We have achieved an enormous amount in a short time, but we still have a lot of work to do. Revamping the business is taking a lot of effort, but we are still firmly committed to being a socially responsible business, and to making sure the new Abbey upholds the CSR values we know are important to all our stakeholders.

Our stakeholders are our employees, customers, shareholders, suppliers and the communities in which we work. In 2003, we reviewed the ways we work with each of these groups, and started overhauling how we work with them. You can read more about this in this report's four chapters: workplace, marketplace, environment and community.

We want to be recognised by all our stakeholders as a business of great value, both socially and economically.

In the future we will:

- > build stronger relationships with our stakeholders, including our employees
- > make sure we offer customers the accounts and services that meet their needs
- > give high-quality customer service, and
- > continue to reduce the risks in the business.

By putting our customers at the heart of everything we do, we've made a lot of changes to the way we work (see page 7). This wouldn't be possible without the people who work for us. We'd like to thank them for all their hard work and continued commitment.

We're proud of our new initiative to increase the diversity of our workforce (that is, the range of people who work for us) especially the Deaf Open Day we held recently in Bradford. Read about it on page 14.

We want to be recognised by all our stakeholders as a business of great value, both socially and economically. As part of this, we've also reviewed our community programme – Abbey Community – so it fits closely with our new business goals (see page 27).

We are pleased with our continued strong environmental performance, but we're always looking to do better (see pages 19 to 25). We've also taken a fresh look at how we work with all our suppliers and business partners (see page 9).

Our industry is currently coping with more regulatory and accounting changes than ever before. Many of these changes are still to be finalised, but they clearly fit in with our commitment to CSR. The regulatory principles of fairness to customers, openness and consumer protection are also part of our focus on the customer. We're pleased with the

checks and balances we've put in place to make us accountable to customers. The diagram on page 4 shows how we take responsibility for our business.

We are committed to financial inclusion (see page 7) – and Luqman's recent appointment as a member of the Financial Services Authority's Steering Group on Financial Capability acknowledges this.

In our last CSR report, we announced that we were going to review our CSR activities. We believe we've made great progress in CSR over the last four years. We're determined to continue making progress in this area, making CSR an important part of our business, and understanding our responsibilities to society. There is a lot to review and we will tell you about the changes in our next CSR report.

Thanks for taking the time to read this report. If you have any feedback, please write to the address on the back cover of the report with any comments or questions.



Luqman Arnold  
Chief Executive



Lord Burns  
Chairman

## Our new strategy

In February 2003 we set out our plan for the future – to focus only on personal financial services in the UK. We're moving fast in selling or disposing of all our assets which do not relate to personal financial services, greatly reducing the risks we are exposed to.

In September, we relaunched the company with a clear new purpose – to continually improve the way people relate to their money.

We understand that, for most people, sorting out their money is baffling, scary, boring or all three. We're changing that. We're 'turning banking on its head' because the way things have been done in the past isn't good enough. Banks talk about customer service, but do what suits them. We're aiming to be different.

By June, as part of our new strategy, we will have rewritten all our customer letters in plain English, reviewed and simplified our accounts and services, overhauled our training and recruitment programmes, and revitalised our community programme. Inside this report you can read more about these changes, and see how we believe the way we do business is a key part of CSR.

## Abbey snapshot

We're one of the leading providers of mortgages, savings, protection and self-invested personal pensions in the UK.

Our main sites are in:

- > London
- > Milton Keynes
- > Bradford
- > Glasgow
- > Belfast, and
- > Sheffield.

The personal financial services we offer include:

- > bank accounts
- > mortgages
- > savings
- > investments
- > general insurance, and
- > life assurance.

Our service is provided:

- > in branches
- > by phone
- > by internet
- > from cash machines
- > through independent financial advisers, and
- > through retail partners.

As at 31 December 2003, we had:

- > 26,000 employees (full-time equivalent)
- > 1.8 million shareholders
- > a loss before tax of £686 million, and
- > a trading profit, from personal financial services, of £1,021 million before tax.



### Corporate Governance Framework

Our Corporate Governance Framework sets out how we are organised, directed and controlled. In 2003, we revised our framework to reflect our new strategy and structure. The changes made sure our decision-making is clear, controlled, accountable, and consistent with our aims.

The framework clearly states our Board's role.

Our Board must:

- > have members with sound judgement and a good mix of experience
- > make sure no person or group of people dominates the decision-making process
- > decide our purpose and values, and put a strategy in place to achieve them, and
- > review and assess the effectiveness of our strategies, policies, and business plans.

Our framework also sets out the following.

- > The role of management committees

and how authority flows through the company, including the responsibilities of senior management.

- > The processes which let the Board perform its responsibilities relating to managing risks.
- > Our financial management and assurance processes.
- > How we manage risks relating to staff and make appropriate arrangements to get the best possible performance.
- > The arrangements and policies we have to meet relevant laws and regulations.
- > Internal Audit's role in assessing how appropriate and effective our systems and controls are.
- > How we make sure our stakeholders' interests are considered, and how best to communicate with them.

### Stakeholders

Our stakeholders include customers, employees, shareholders, suppliers and the communities we work in. This report contains lots of information about how we deal with our stakeholders.

We communicate regularly with fund managers, corporate investors and analysts on our performance, policies

and strategies. Our share registrar stays in touch with our 1.8 million private investors, while our Shareholder Relations department focuses specifically on developing relationships with shareholders.

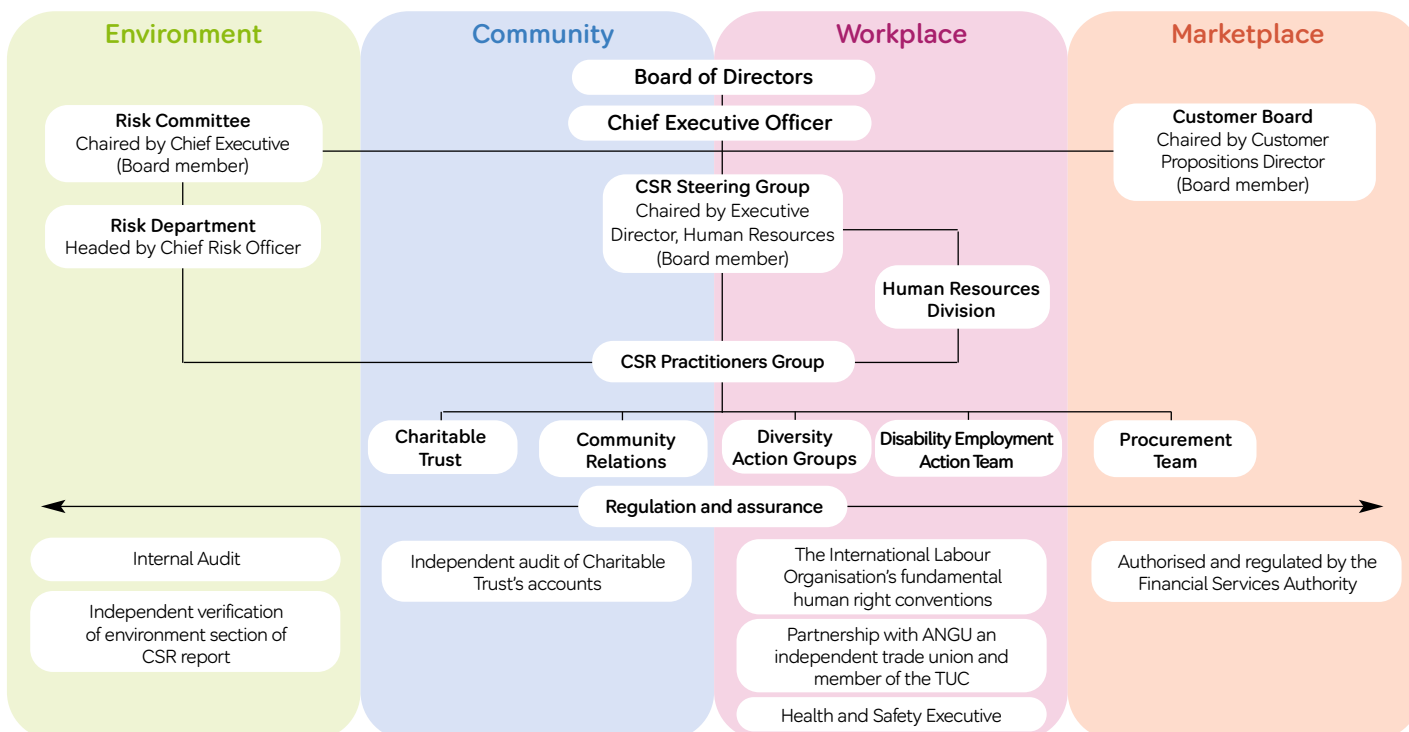
Information about our business performance and activities is available on our website at [www.abbey.com](http://www.abbey.com) > Abbey Corporate.

### The Combined Code On Corporate Governance

We're fully committed to this code. Under this, our Board must have an effective system of internal control, review how effective it is, and report to shareholders every year.

You can read our full Corporate Governance statement – and the Directors' remuneration report – in our Annual Report and Accounts. Either download it from our website at [www.abbey.com](http://www.abbey.com) > Abbey Corporate, or write to us at the address on the back of the report and we'll send you a free copy.

The diagram below shows our corporate governance framework relating to CSR. It will be most relevant to experts in CSR.



## Managing corporate social responsibility

We have a steering group to oversee all matters relating to corporate social responsibility ('CSR'). The steering group is responsible for updating the Board on our strategies and processes, and is chaired by the Executive Director, Human Resources. We aim to meet industry standards including the Association of British Insurers (ABI) disclosure guidelines on social responsibility, the Department of Trade and Industry's Company Law Review, and the Accounting for People Report recommendations. The ABI calls on us to provide information on social, environmental and ethical matters ('SEE' matters). Extracts of the ABI guidelines, and our responses, are given in the chart below. The full response is in our Annual Report and Accounts.

ABI guidelines	Our responses
<b>1. Our annual report should say whether:</b>	
> 'The Board takes regular account of the significance of SEE matters to the business of the company.'	Our annual CSR report, with supporting information, is considered and approved by our Board. Our Board also regularly reviews our ethical, environmental, and human resources policies, which are drafted to reflect and manage the significant SEE risks identified by the business.
> 'The Board has identified and assessed the significant risks to the company's short- and long-term value arising from SEE matters, as well as the opportunities to enhance value that may arise.'	The whole business is responsible for identifying and assessing the risks and opportunities arising from SEE matters, and for reporting SEE risks.
> 'The Board has received adequate information to make this assessment and that account is taken of SEE matters in the training of directors.'	The Board receives regular reports about SEE matters, including the annual CSR report. There is no specific training on SEE matters for directors, although we are reviewing this.
> 'The Board has ensured that the company has in place effective systems for managing significant risks which, where relevant, incorporate performance management systems and appropriate remuneration incentives.'	There are a number of systems in place for managing SEE risks. Our High Level Risk Architecture clearly identifies SEE risks, and forms part of the work programme of Internal Audit and the risk management framework. The CSR steering group, the Chief Executive, and other executive directors are responsible for promoting ethical practices, environmental management and social responsibility, and receiving regular information on our performance. At present, there are no pay incentives in place.
<b>2. Our annual report should say whether our policies and procedures:</b>	
> 'Include information on SEE-related risks and opportunities that may significantly affect the company's short- and long-term value, and how they might impact on the business.'	Information is provided in the CSR section of the directors' report, as well as the annual CSR report. This information is first widely reported throughout the organisation. The information is organised into the following broad reporting areas recommended by Business in the Community: workplace, marketplace, community and environment. The information reflects the key stakeholder concerns we know of. We will review this process in line with the recommendations of the Operating and Independent Financial Review working group on assessing and reporting 'material' SEE risks.
> 'Describe the company's policies and procedures for managing risks to short- and long-term value arising from SEE matters. If the annual report and accounts states that the company has no such policies and procedures, the Board should provide reasons for their absence.'	The directors' report includes as much information as space allows. Relevant information is provided on important SEE policies such as the statement of ethical principles, the environmental policy, procurement, and policies relating to employee issues. Further detail about policies and procedures for managing SEE risks for short- and long-term value is available in the annual CSR report and our website at <a href="http://www.abbey.com">www.abbey.com</a> > Abbey Corporate.
> 'Include information about the extent to which the company has complied with its policies and procedures for managing risks arising.'	Some information is provided in the directors' report, as space allows. Further details are given in the annual CSR report.
> 'Describe the procedures for verification of SEE disclosures. The verification procedure should be such as to achieve a reasonable level of credibility.'	The directors' report and annual CSR report are considered by our Executive Committee and Board. Also, statements made in the Environment section of this report were independently checked by SGS United Kingdom.

# Marketplace





## Customers

When we announced our new strategy focusing only on providing personal financial services in the UK, we made a public commitment to improving the way we treat all our customers. These include:

- > understanding our customers and how they feel about money
- > creating accounts and services our customers will want because they meet a real and definite need
- > giving good advice to everyone
- > delivering faultless service and doing what we say we'll do
- > being open with customers and using simple, everyday language
- > taking a positive, can-do attitude, and removing obstacles between customers and their money, and
- > continually improving our service.

### Making choice easier

Last September, we started to overhaul our accounts and services. The aim of this programme – which will last around 18 months – is to reduce the number and complexity of what we offer, and make our accounts and services easier to understand and more in line with our customers' needs. We've already reduced the number of accounts we offer, made them simpler, but kept all the features our customers expect.

We used to have six bank accounts. Now we have only one Current Account and one Basic Bank Account.

We've put our mortgages in three straightforward groups – Sure, Freedom and Easy Start – to meet particular needs.

We've also reorganised our range of savings accounts to fit under the

three headings of Easy Reach, Put Aside, and Lock Away.

And we've made it easier for customers to get the right level of advice and help with choosing an account, from simple savings to complex investments.

### Understanding customers

We're doing in-depth studies to improve our understanding of customers and what matters to them. We're doing this so we can help customers to manage their money better.

Our customer-tracking study gives us customers' views and comments on our initiatives, so we can continually improve what we do.

We've also been contacting new customers soon after they start their relationship with us. This is already helping with customer satisfaction.

### Addressing issues

We're committed to giving customers the highest levels of service. However, we recognise that we may sometimes do something that doesn't meet the high expectations of our customers. We're committed to providing a clear and responsive approach to dealing with customer concerns and to put right what may have gone wrong. Over the course of 2004, we're placing extra emphasis on the systems, practices and training that support our systems for handling complaints. Much greater emphasis will be placed on learning from what our customers are telling us and feeding that back to improve further our accounts and services.

Last October, we launched a new, single approach to handling complaints across the company. We

also surveyed some customers to find out what's important to them when it comes to settling complaints. Interestingly, they said that simply responding and not ignoring them was as important as fixing the problem. In the next few months, we'll put in place the foundations for the future – including making the whole system simpler and training the people who deal with complaints.

### Access for disabled people

We have put measures in place to help make sure all our services are equally accessible to customers with disabilities. For example, most branches have 'induction loops' for customers who use hearing aids, and there are textphones in head offices. We can also provide information in alternative formats including Braille and large print.

### Financial inclusion

'Financial inclusion' is about trying to help people who find dealing with their personal finances difficult, to get them involved and encourage them to have bank accounts and find ways of coping with money. It's something the FSA and the Government are concerned about, because it saves people time, money and worry – but also because if they can look after their finances, they're less likely to get into difficulty and fall back on state benefits. We are committed to financial inclusion, and Luqman Arnold's recent appointment as a member of the Financial Services Authority's Steering Group on Financial Capability acknowledges this.

'Financial inclusion' is about how we treat all customers. When we relaunched the business, we said we would help everyone – not just the privileged few – get on top of their money. In one sense, this is just a return to our roots – Abbey began as a building society to help ordinary people buy land so that they could vote, because at that time only landowners were allowed to vote.

We have committed ourselves to communicating in language that everyone can understand and to make it easier for people to get good advice about their money. By June, we will have re-written all customer letters to get rid of jargon.

### Recognition for [www.abbey.com](http://www.abbey.com)

We came second in the Customer Respect Group's new Customer Respect Index, based on the level of customer service delivered by our website.

The new index examined all companies in the FTSE 100, and scored us at 9.2 (out of 10), compared with a UK company average of just six.

The scores are based on 90 measures, which include things like:

- > the quality of information on the site
- > how easy it is to navigate
- > whether e-mails are answered, and
- > how clear privacy policies are.

It's encouraging that we did so well because more and more people use the internet for banking – and this shows that we treat them with respect, and respond to their queries.

### Basic banking

We continued to work with the Government and the Post Office on delivering 'universal banking services'. This included launching a new Basic Bank Account. This allows account holders to receive state benefits directly into their accounts, to get their money from cash machines or post offices, and to use electronic payment services like direct debit and standing orders.

We're reviewing the identification needed to open basic accounts in order to be more flexible to customers who do not have traditionally acceptable identification.

### Money advice

We aim to provide better access to affordable money advice. We actively support the Consumer Counselling Service and Money Advice Trust to help people who have fallen into financial difficulties. We provide funding and help to the Institute of Financial Services as part of a five-year commitment to support their Certificate in Financial Planning. Improving money advice is also a priority for our Charitable Trust (see page 27).

### Financial awareness

We understand the importance of raising everyone's financial awareness, not just among those who traditionally experience difficulties getting financial services. This is reflected in our core purpose – to continually improve the way people relate to their money.

We're also a member of the Advisory Group for the Personal Financial Education Group.

We're currently reviewing the activities we do to support improved financial awareness. We're aiming to expand our commitment in this area.



### Helping small businesses

In 2002, we revamped our small-business bank account with free banking and interest when the account is in credit. We've now captured 3.7% of the market by continuing to compete strongly and offer better deals for small businesses. Our 'free banking forever' offer is extremely well received by customers, and we are competitive in this market.

The Competition Commission recommended a number of actions for banks to make competition fairer between the clearing banks in the small-business market. One of these actions was to make sure customers switching from their existing bank should be able to do so within a set timescale.

In order for these timescales to be met, banks were asked to give customers' account details to their new banks within three working days. We already had procedures in place to achieve this, so any of our customers who want to switch to another bank can easily do so.

## Abbey at Work

### Bringing banking to work

Abbey at Work are experts in designing, producing and managing programmes offering financial services and information to people in particular organisations (for example, union members, employees and pensioners). To date, we've offered Shareplans, saving schemes contributed to direct from salaries, group pension arrangements and discounted versions of some main accounts and services.

We want to deal with private companies, companies quoted on the FTSE 100, trade unions, professional bodies, and organisations working in the public sector (such as health authorities, government departments, local authorities, universities, emergency services and the armed forces). We have relationships with over 3,000 organisations working in more than 80 countries.

We aim to improve access to our accounts and services by offering them to people who might otherwise find it difficult or inconvenient to use them. For example, we give employees the opportunity to use financial services in their workplace, often with the added benefit of special terms which would not otherwise be available.

We also sponsor ProShare (a charitable body promoting share ownership by employees).

### Social housing lending

Our specialist Social Housing Finance unit delivers long-term finance solutions to registered social housing landlords so they can provide affordable housing for people in need and to undertake wider initiatives to help people who normally have difficulty getting access to opportunities. Registered social housing landlords (often called

Housing Associations) are regulated, non-profit-making, community-based organisations. We have currently lent £4.5 billion to registered social housing landlords, making us a market leader in this field.

We financed over 30 registered social housing landlords in 2003, including several new organisations set up to take over housing stock transferred from local authorities.

## Suppliers

Each year we spend around £800 million on buying goods and services from other organisations. This spending is overseen by our procurement team, and meets our ethical policy 'How we do business' (see page 10).

We:

- > offer contracts to suppliers on a competitive basis
- > deal with suppliers fairly and openly
- > consider a supplier's ethics when considering them, and
- > work with suppliers who share our commitment to continuous improvement.

We expect all our employees to maintain the highest standards of honesty and good ethics when dealing with suppliers. Employees can't use their own authority or position for their own interests, and they cannot receive gifts of significant value.

Our policy promotes fair competition when offering contracts and dealing with suppliers in a fair and open way. Under our policy, each department must keep a record of any gifts and hospitality it has received, and this record must be available for inspection. We may carry out checks on the ethics of our suppliers if necessary.

### Payment policy

We don't have a single payment policy for all types of suppliers. Each individual business area is responsible for agreeing terms and conditions for suppliers, and giving the supplier details of these. It is our policy to make sure we make payments for goods and services in line with the agreed terms and conditions, unless the supplier does not keep to those terms and conditions.

Our practice on paying suppliers has been set out under the terms of the Companies Act 1985 (Directors' Report) (Statement of Payment Practice) Regulations 1997. The time we take to pay our suppliers has reduced from 24 days in 2002 to 19 days in 2003.

### An extract from our policy on standards of labour and human rights

The supplier will make sure where it and its contractors are buying goods, materials and labour, or making and assembling things on our behalf, that:

- > no forced – or bonded – labour contracts are being used
- > employees are free to choose who they work for
- > employees are free to associate or form trade unions
- > wages and benefits paid to employees meet industry benchmarks for that country or national minimum standards
- > employers keep to national health and safety laws
- > employers have an equal opportunities policy in the workplace, and
- > employers do not employ children under the age of 18 at night or in dangerous conditions.'

### New policy

In 2004 we're piloting a social responsibility policy for buying goods and services. It is important that we know all goods and services meet the highest social and ethical standards. The policy covers areas such as:

- > which countries we won't do business with
- > labour and human rights standards (see box on the previous page), and
- > corruption and honesty.

Our procurement team will work with major suppliers to develop this policy before passing it on to all our remaining business areas and suppliers.

### Business principles

#### Code of ethics

Our ethical policies are set out in 'How we do business'. This document was reviewed and updated by the Board in 2003.

A full copy of our ethical policies is available on our website at [www.abbey.com](http://www.abbey.com) > Abbey Corporate > Our Policies, but the main sections are outlined here.

#### Regulatory environment

We work in a highly regulated industry. Our main regulator is the Financial Services Authority (FSA). The FSA expects regulated companies to behave in an ethical way, and it has published a list of key principles. These form the basis of how we are regulated. A full copy of the FSA's principles is available at [www.fsa.gov.uk](http://www.fsa.gov.uk).

We aim to keep to all relevant laws and regulations and have taken appropriate steps to make sure that our people are aware of:

- > anti-money laundering and anti-terrorism requirements
- > the Disability Discrimination Act 1995, and
- > other laws about fair treatment of customers and employees.



We also take part in the Financial Ombudsman Scheme and have signed up to the codes of practice issued by the following organisations.

- > British Bankers' Association
- > Council of Mortgage Lenders
- > Association of British Insurers
- > Finance and Leasing Association

Our shares are listed on the London Stock Exchange. Any employees that regularly receive information which may affect our share price are bound by the Share Dealing Code. The Insider Dealing Regulations in the Criminal Justice Act 1993 apply to all our employees. We also support the

Principles of Good Governance and Code of Best Practice (or the 'Combined Code'), which is part of the UK Listing Authority's requirements.

We also keep to the relevant regulations of the United States Securities and Exchange Commission, which come from the Sarbanes-Oxley Act. This Act aims to protect investors by improving the accuracy and reliability of information that companies make available to the public. Under the Act, companies must say whether they have a code of ethics (for the Chief Executive and senior financial officers) that promotes:

- > honest and ethical conduct
- > full, fair, accurate, and understandable information provided in good time
- > keeping to relevant laws, rules and regulations
- > quickly reporting instances where the code is not followed, and
- > being responsible for keeping to it.

#### Treatment of customers

Earlier in this report we described how we've made a public commitment to improving the way we treat all our customers and how customers can raise any concerns they may have about the services and accounts we offer.

#### Promoting partnership with employees

We are committed to treating all employees as partners in the business and encouraging them to hold shares. We value communication and an atmosphere of openness and approachability.

We expect our employees to behave in a professional way towards one another and we do not tolerate





unfair treatment or discrimination at work. There is a framework for dealing with staff concerns at work. This process covers raising concerns relating to treatment of individuals (such as discrimination or harassment) and keeping to our ethical statements and the law. We encourage employees to follow these procedures if they have evidence that our ethical or environmental principles have been broken.

Further information on how we promote partnership with employees is contained in the 'Workplace' section of this report on pages 13 to 17.

### Investment in the community

We believe in investing in our local communities. We aim to build upon the interests we share with others in the community.

A part of our community investment is the Community Partnership programme, which encourages staff to be involved in charities and other organisations that meet the community's needs. The programme includes a scheme to give

employees time off to match the time spent on community work.

We have set up a Charitable Trust that gives money and other help to registered charities.

We do not try to improperly influence the government and do not support or give money to political parties.

Further information on our community investment can be found on pages 26 to 28 of this report.

### The environment

We consider the environmental impacts (that is effects and consequences) of our business activities and our environmental policy and management is described in greater detail on pages 18 to 25 of this report.

### Ethical investment guidelines

These guidelines aim to make sure that we consider ethical concerns when investing company assets. They do not apply to our pension schemes or funds in investment products. A fund that screens investments according to ethical criteria is available to our customers.

### Business partners

We will not knowingly do business with organisations that do not share our commitment to dealing with stakeholders fairly and ethically. We aim to work to the highest ethical standards and expect our suppliers to do the same. You can find out more on how we manage our relationships with suppliers on page 9.

### Reviewing our principles

We will review our statement of ethical principles every two years to make sure that it reflects:

- > changing attitudes of society
- > developments in our policies, and
- > issues raised by introducing the principles and commitments set out in this statement.

We value our relationship with the FSA very much and took very seriously the two final notices issued against us by the FSA in December 2003. The notices were about our anti-money laundering arrangements and parts of our asset management work. We are fully committed to putting both these issues right.

### Looking forward

This year, we're going to:

- > finish rewriting all our documents in clear, plain English (by June)
- > finish rolling out a new, more flexible procedure for checking the identification of customers wanting our Basic Banking services (by July)
- > continue overhauling our customer complaints procedures
- > continue overhauling our social responsibility policy for suppliers, and
- > make sure all our branches keep to the new Disability Discrimination Act amendments (by October).

A man and a woman are standing outdoors in front of a modern building with a grid-like facade. The man, on the left, is wearing a light blue checkered shirt and is looking towards the woman. The woman, on the right, is wearing a black and white horizontally striped long-sleeved shirt and is smiling. The word "Workplace" is written in white text in the upper right area of the image.

Workplace



## Valuing our people

Our 'Valuing People as Individuals' policy is consistent with the values our culture is based on. This policy is available on our website at [www.abbey.com](http://www.abbey.com) > General Information > Our Policies.

Throughout 2003, we continued working with national interest groups and we're pleased that our work was recognised by Opportunity Now, who awarded us the Silver Standard in its benchmarking index on gender (sex) equality. We've also supported the Employers' Forum on Disability and the Employers' Forum on Age and Race for Opportunity. We came 11<sup>th</sup> in the Race for Opportunity and fourth in the EFD Global Inclusion benchmarks.



In 2003, we undertook an 'equal pay audit' for the third year in a row. The results (see below) showed that overall, pay levels of men and women are within 8% of each other.

## Employee action groups

We continued to work with local communities, particularly where we have large offices. We have nine Community Partnership Groups ('CPGs') around the country. Their main role is to distribute donations from our Charitable Trust to meet the needs of the community (see page 27). We also have Diversity Action Groups ('DAGs') based in major locations around the country. These work to promote a more diverse workforce in their local areas. Our aim is to focus further on our relationship with our local communities by increasing the number of DAGs, and to co-ordinate their work with that of the CPGs to provide a more focused approach to the community.

## Employee diversity

We have taken the lead in an initiative looking to reduce the barriers to employment for people from black and ethnic minority communities.

Three years ago we set up Employers Racing Ahead ('ERA'), a group of employers in Bradford spearheaded by us. The ERA group helps to make sure we make good progress towards our goal of 'making

sure our ethnic minority representation matches that of the local community'. The number of ethnic-minority employees in Bradford increased in 2003 from 10.6% to 15.1%.

Several ERA employers, including Abbey, were presented with awards in recognition of their valuable contribution to equality and diversity in the workplace.



The ERA website includes materials and resources that can help companies to improve and develop their strategy on equality and diversity. What makes the site unique is that, by becoming ERA members, companies can share and contribute to a resource base of best practice and publicise their own company and its initiatives. The ERA website is at [www.employersracingahead.co.uk](http://www.employersracingahead.co.uk).

Our Disability Employment Action Team ('DEAT') has continued to focus on setting up a strong framework for employing disabled people. This team helps to make sure we progress towards our goal of making us an employer that disabled people want to work for. The following are examples of DEAT's work over the past year.

- > A company-wide mentoring scheme for disabled employees has been set up.
- > We provided financial support and took part in the pilot Employers' Forum on Disability benchmarking survey. The Employers' Forum on Disability is developing a benchmarking tool to help its members to become 'confident with disability'. We found the process useful in reviewing our own process on disability and identifying areas where action still needs to be taken.

## Equal pay audit

	Number of females	Number of males	Total	Percentage of workforce who are female	Average female salary (compared to male salary)
Level 4	256	568	824	31.1%	92.7%
Level 3	2,241	2,836	5,077	44.1%	92.3%
Level 2	2,553	1,467	4,020	63.5%	97.4%
Level 1	12,624	3,111	15,735	80.2%	107.3%

'Salary' means full-time equivalent salary, to account for differences in working hours between employees.

Based on the Equal Pay Analysis of October 2003.

## Deaf open day

The Bradford DAG (chaired and supported by our Regional Sales Director) worked with WorkAble, Jobcentre Plus and the Deaf Club to promote employment opportunities within Abbey by holding an open day.

The objectives of the day were to:

- > raise awareness of Abbey as an employer for people with hearing disabilities
- > show our commitment to people with disabilities, and
- > show our support for existing employees with disabilities.

Our media relations team worked with the DAG to raise local awareness of the day, and our training designers worked with a deaf employee to make a signed welcome video.

The DAG learnt from the day and started a training programme to improve employees' understanding of working with people who have hearing difficulties. The following improvements were made.

- > We recruited a British Sign Language signer to attend team meetings to help interpret and explain any issues.
- > We delivered deaf awareness training to colleagues of our employees with hearing difficulties.

We plan to provide this training to managers and other stakeholders. We'll also provide support mechanisms, and we've already provided all employees with hearing difficulties with 'pagers', allowing authorised managers to deliver urgent messages.

The programme has helped us in our goal to 'make Abbey an employer that disabled people want to work for'. The day was a success - of the 17 people who came, nine were offered and accepted permanent jobs with us.

Ian Jagger, one of the successful candidates, said:

"At first I was very nervous and found difficulty in understanding for a while. An interpreter came to help and now I don't have a problem. I enjoy working here."



- > We undertook a project to make our website more accessible.

To achieve this we've made the following arrangements.

- > We've increased the importance of how prominent the accessibility issues are within the guidelines.
- > Business owners of Abbey's websites have been made accountable for making adjustments to their websites to meet the accessibility guidelines.
- > E-commerce teams have been

given accessibility training to help them understand their roles.

- > E-commerce teams have been given access to expert external advice.

We're committed to the Disability Discrimination Act and are proud to use the Jobcentre Plus 'Positive about Disabled People' symbol. We have a partnership agreement with Jobcentre Plus to provide access to work for



people with disabilities. This aims to make sure that new and existing staff get the aids and equipment they need to make their working life easier.

## Work-life balance

We're committed to helping people achieve a reasonable balance between their home and working lives. We understand that people should be valued and supported through the various stages of their lives. As a result, we offer a wide range of flexible working options, including part-time work, job-sharing, working from home, 'compressed working arrangements' (that is where employees work the same number of hours, but over fewer and longer days), career breaks and extended maternity and adoption leave arrangements.

Our employees' health and wellbeing is very important to us and we want to support them as much as we can. Experience has shown us that staff need help in a number of ways, and that's what our Employee Advice Line is for. We want to give them the right help in the right way – or point them towards someone who can help.

Our confidential Employee Advice Line can:

- > answer employees' questions about their employment with Abbey
- > point employees in the right direction if they've got a personal problem, and
- > tell employees about our external counselling service, that offers professional counselling to Abbey employees on a wide range of work or personal issues. This counselling can be provided over the phone or face-to-face.

We also provide post-trauma counselling. Employees might need this if they've experienced violence, a major personal upset or a traumatic event at work.



## Outsourcing

('Outsourcing' is where a company uses third-party partners to supply services that would otherwise be offered by its own employees.)

In 2003, we announced a wide-ranging review of how and where we carry out our activities, which included a pilot to run some activities in India. In January 2004, we announced that we would invest £25 million in five key UK locations, close three other sites, and transfer some customer enquiry jobs to India.

Throughout the review, leading up to the decision, we fully consulted the Abbey National Group Union. We agreed with them a range of measures to help staff who were affected, including improved relocation and travel packages to help them take advantage of redeployment opportunities, as well as resources and guidance to help others get jobs outside of Abbey.

We believe these decisions are absolutely necessary for the health of our future and for giving customers better service at a competitive price. MsourceE, our partner in India, has a proven track record in treating employees fairly and with respect. The people who work for our operation in India will be treated well, and will be paid in line with their market.

## Human rights

Our Employee Relations Policy keeps to the International Labour Organisation's fundamental human rights conventions. The policy says:

- > we don't employ or use forced labour in any of our companies
- > we don't employ or use child labour in any of our companies
- > our Equal Opportunities Policy applies to all our employees, and

- > all our employees are free to form and join trade unions and bargain collectively.

## Health and safety

At Abbey, we believe healthy employees working in a safe environment improve the business and help us to achieve our objectives.

Protecting their health is good business practice and a positive investment which protects our people, who are our most valuable asset.

Our Chief Executive and Board of Directors accept their responsibilities under the Health and Safety at Work laws for making sure our staff and any other people entering our offices and branches are safe.

In 2003, our Chief Executive set down a new policy statement on health and safety at work. This included a new goal which is 'to be excellent at health and safety'.

In line with guidance issued by the Health and Safety Executive, we nominated a Board member (the Executive Director, Human Resources) to take overall responsibility for managing the introduction of our new

health and safety policy across Abbey.

To achieve our goal, we recruited a new Health and Safety Manager and strengthened our Health and Safety team to provide an improved consultancy and advisory service to the business.

We were pleased to experience a significantly reduced number of serious incidents in 2003.

### Health and safety projects in 2003

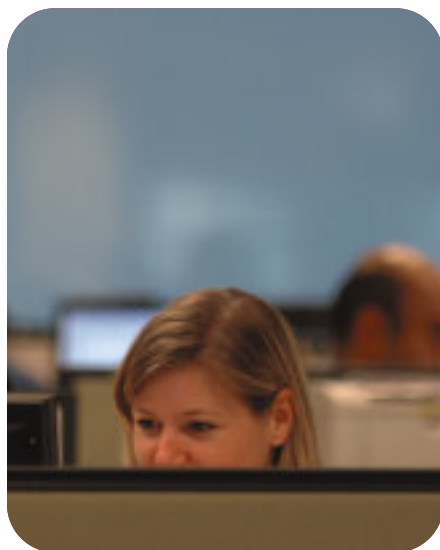
Some of the initiatives we undertook in 2003 are listed below.

- > **Driver road risk.** Outside studies show that about 30% of all road accidents involve drivers on company business. We have around 3000 employees who drive on company business, so we commissioned the Royal Automobile Club (RAC) to complete a driver 'road risk survey' for us. As a result, a new road safety policy has now been prepared for the business.
- > **A review of our health and safety documents.** This was undertaken to make sure our managers and staff have clear, concise and up-to-date guidelines on all aspects of health and safety at work.
- > **Asbestos management.** In May 2004, new regulations will come into force on this important subject. The regulations mean employers will have to carry out a wide-ranging survey of their premises to check if there are any asbestos-containing materials ('ACMs') in place. We've completed our asbestos surveys ahead of the regulations and we're now developing a clear management plan for the business. This plan will make sure our contractors don't accidentally come into contact with ACMs when they carry out work on



our buildings. Without adequate controls, building work can present a significant health and safety risk to our contractors and staff, and we're committed to preventing this.

- > **Stress management.** We've reviewed our policy on managing work-related stress and set down new guidelines and procedures to make sure our people are adequately protected.
- > **Sickness absence management.** We overhauled our sickness absence procedures to make sure we deliver an improved service to the business.



- > **Contractor safety.** We've developed new guidelines and procedures to make sure contractors carrying out work for us always work in a safe way and within health and safety law.
- > **Health and safety training.** We critically analysed the training we provide for our people and have chosen an e-learning provider for us. This will make sure all our staff receive comprehensive health and safety training.

#### Health and safety projects in 2004

We'll continue to develop a new health and safety management system which will be available to all our staff through

a dedicated intranet site.

We'll also undertake the following project work.

- > **Fire safety.** We'll undertake a wide-ranging review of our arrangements for fire-risk assessments and fire-safety training ahead of new laws due to come into force later this year.
- > **Workplace ergonomics.** We'll review our procedures to make sure our employees are provided with appropriate office furniture and equipment so they can always work in a safe and comfortable position.
- > **First aid.** We are presently reviewing this important aspect of health and safety management to make sure we have an adequate number of properly trained first aiders in place across Abbey.
- > **Accident and near-miss reporting.** It's important that all accidents and near misses are reported to our Occupational Health and Safety Department so that a thorough investigation can take place and preventative measures put in place. We'll make sure our managers and staff know about this important requirement and we'll introduce improved analysis and reporting of accidents.

#### Employee communications

Because involving employees is important for being successful, effective communications are vital to everything we do. As well as discussions with line managers, we also use different methods of communicating with all employees. Every other month, we publish a magazine for employees – 'read' – that combines work-related issues and information with more general articles. We also use 'view' (our TV channel) and 'talk' sessions (where senior management, including the Chief

Executive and executive directors, answer employees' questions face to face). Almost all employees have access to our intranet – 'net'. We also use more traditional methods of communication – such as team meetings – to make sure employees are fully informed of news and developments that may interest or affect them.

It's just as important to listen to the views and opinions of our employees and, for the last ten years, we've asked for their views on a range of issues through departmental and company-wide opinion surveys. These are confidential, and employees don't have to give their names. The information gathered is analysed by another company, and no-one in Abbey sees the filled-in questionnaires.

In 2003 the survey was sent to 26,500 employees. The response rate increased from 51.9% to 53.7%. As expected, given our difficult trading environment, most scores decreased, but we are still in line with financial and retail average benchmarks.

Some of the questions in the survey achieved favourable scores.

- > 82% of our employees think their manager focuses on making sure their business area's objectives are achieved.
- > 80% of employees are committed to helping the company to succeed.
- > 74% feel that they have a clear understanding of their business area's objectives.

## Performance development

In 2003 we redesigned our performance management system to make sure we have a culture of high performance. This means we're committed to developing our employees' ability to perform at their best, continually stretching them to deliver better service to our customers, and supporting them by removing obstacles and helping them to use their talents to produce better results.

**We believe everyone can give their best and be successful.**

Our approach to performance development is simple and straightforward. It's about being clear what 'best' and 'successful' mean. Employees will understand what's expected of them and get the right development and support to allow them to succeed. And when they've done this, they will be recognised and rewarded for their contribution.

Employees are responsible for their performance, and their manager is responsible for making sure they are clear about what they need to do to perform to their best, and for supporting them to achieve it.

## Working in partnership

In the UK, we achieved our first 25 years of trade union recognition in the business. We marked the anniversary during 2003 by confirming our partnership agreement with Abbey National Group Union (ANGU), our recognised, independent trade union. ANGU is affiliated to the Trade Union Congress and works from its own offices in Hertfordshire.

During 2003, ANGU was involved in many initiatives, and we continue to consult them on significant proposals within the business. Consultation takes place at both national and local levels. We hold regular relationship-management meetings to make sure communication is open and two-way.

## Our employee data

At 31 December 2003

Number of employees	27,726
Number of female employees	18,402
Number of male employees	9,324
Number of full-time employees	21,116
Number of part-time employees	6,610
Number of full-time ethnic-minority employees	1,472
Number of part-time ethnic-minority employees	464
Employees aged 50 and under	25,157
Employees aged over 50	2,569
Percentage of employees leaving each year	14.66
Average days absent for each employee	10
Total number of staff grievances (at final stage)	9
<b>Training</b>	
Number of training days	188,752
Average training days for each employee	7
Average invested in training for each employee	£614
<b>Health and safety</b>	
Number of accidents reported	296
Number of accidents reported to enforcing authorities	36
Number of adjustments made to the workplace	543
Number of adjustments made to the workplace for disabled employees	42
<b>Total employee satisfaction</b>	<b>58%</b>

## Planning for the future

We are completely reviewing our recruitment processes to make sure we attract the right people who can help us deliver our strategy. This will include making sure our advertising and recruitment material reflects our new brand, and makes sure that potential candidates for jobs are treated in a way that makes them want to join Abbey both as employees and customers.

This campaign is important because we're focusing as much on behaviour and attitudes as we are on experience and skills. We've created a framework which allows us to assess people and make sure we are choosing people who will deliver the right experience to customers.





Environment



Towards the end of 2002, we revised our environmental policy, so this report covers the first full year of management in line with the new principles.

Although we made some good progress during 2003, the continuing changes to our business structure mean that we need to continuously review our environmental priorities. We recognise that this year's environmental report shows more limited progress than in previous years, and focuses on our plans for 2004.

The changes we have made to our business strategy mean that our environmental priorities are very different today from this time last year. For example, our decision to discontinue project finance (that is, stop investing in projects ranging from generating power, transport and building hospitals) means we have reduced our exposure to environmental risks arising from liabilities for contaminated land and other environmental factors. It also means we have more limited opportunities to take part in financing renewable energy and environmental technologies.

Our main focus is now on managing the environmental impacts associated with carrying out our business activities, the environmental aspects of fund management, and the environmental risks associated with our mortgage business. Changes to our business structure mean that we will be in a strengthened position to manage the environmental risks, impacts and opportunities we have.

## Environmental policy

It is our policy to do the following.

- > Identify, assess and manage environmental risks associated with lending and investments by developing strong frameworks for managing risks.
- > Consider environmental risks, where appropriate, when making fund-management decisions.
- > Monitor new business opportunities in line with our environmental risk-management objectives.
- > Assess how we can affect, and be affected by, climate change.
- > Consider environmental issues when buying resources and services.
- > Monitor and work to reduce the impacts of business-related travel.
- > Reduce the amount of energy and water used in buildings.
- > Reduce the amount of waste produced, dispose of waste responsibly and, where economical, recycle as much as possible.
- > Consider environmental issues when buying, designing and building premises.
- > Take reasonable measures to prevent accidental pollution at our sites.

Our policy applies to all business units, covers all significant environmental impacts and risks, and provides the basis for our system of managing environmental risks. We encourage the organisations we work with to support our environmental policy.

Putting our policy into practice involves:

- > meeting all relevant laws and regulations
- > developing company-wide environmental management systems, setting clear responsibilities, objectives and targets, and reporting on environmental performance
- > raising employees' awareness of environmental issues and providing training where appropriate
- > providing our stakeholders with regular information on our environmental management and performance
- > monitoring environmental issues and tackling the environmental concerns of our stakeholders
- > promoting good environmental practice in the financial services industry
- > carrying out independent reviews to make sure we keep to the policies, laws and standards we have agreed to follow, and
- > continually improving our policy and performance in line with good practice.

We will review this policy at least every three years to take account of all relevant developments.

**Abbey National plc Board**

December 2002

Important environmental issues:

- > climate change
- > energy efficiency
- > managing risks associated with lending and investing, and
- > following socially responsible investment practices in fund management.

As last year, our environmental management strategy is to reduce the direct impacts of our activities (for example, our use of energy and resources such as paper) and to manage the indirect risks and opportunities associated with our main business interests and our supply chain.

The rest of this section gives an update on our progress, our responsibilities and controls for managing environmental issues, and our intentions for 2004. As with previous years, to produce it we have referred to best practice reporting standards, including the Global Reporting Initiative guidelines.

### Management structure

Having a clear framework of responsibility is essential to successfully introduce environmental initiatives and to improve our performance.

Our Board approves our environmental policy, and the Chief Operating Officer is responsible for making sure management acts in line with its principles. In turn, senior managers across Abbey are responsible for making sure all employees act in line with the environmental principles by including them in appropriate policy documents and risk-management procedures.

Environmental risk is clearly set out in Internal Audit's work programme. The control framework for environmental management is continually monitored and, each year, this section of the

### Case study

#### Replacing desktop printers

In 2003, we chose Kyocera Mita to supply desktop printers to all our branches. In line with our commitment to reduce the impact of our business on the environment, we chose these printers because they use long-life imaging drums as part of the main printer unit. Other printers include the drum in the toner cartridge, which needs to be replaced every time the toner runs out and is difficult to recycle. Kyocera toner cassettes are made of a single type of plastic that is easy for recycling. The technology is also cost-effective. So, we've succeeded in reducing running costs and harm to the environment at the same time.

report is independently checked to make sure the information in it is accurate and fair.

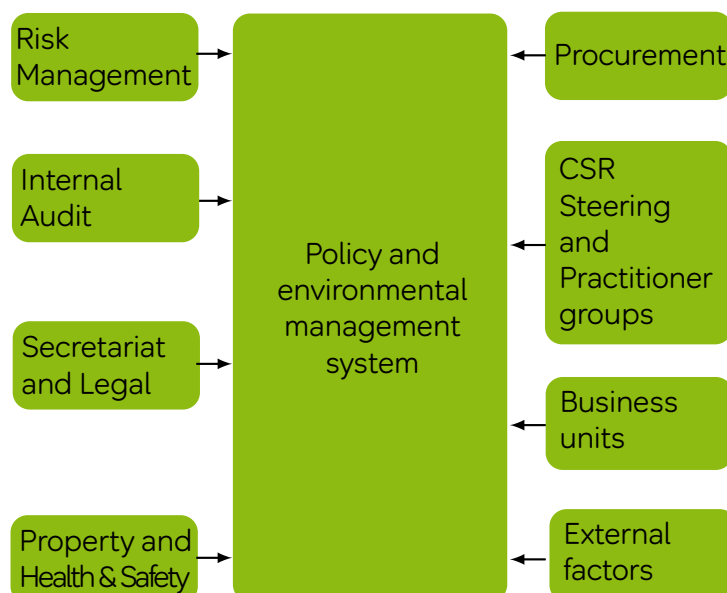
By making environmental management part of existing risk-management frameworks, we make sure we consider environmental issues relating to all our business activities. The Operational Risk department oversees how we put our environmental policy into practice. Through the Risk framework, environmental risks are identified and

assessed, and those which are significant can be reported to our Board or the Risk Committee (or both), on a monthly basis.

Our Legal Services team monitors law and regulation changes that may affect our environmental management strategy, and reports issues to Operational Risk to make sure we develop our processes to effectively manage the risks and opportunities.

Environmental management is also the responsibility of functions such as our Procurement and Property teams.

### Environmental Risk management structure



Property has an environmental, health and safety working group that meets regularly to discuss issues and progress, and raise issues with senior management where appropriate. Our Procurement team's environmental working group did not meet during 2003, and so will review its arrangements relating to environmental management in 2004.

As we reported earlier, the CSR practitioners' group and CSR steering committee, which make sure environmental management activities are in line with wider CSR priorities, will meet again in 2004.

### Developing policy and management

By taking an active part in outside groups, such as the United Nations Environment Programme Finance Initiative and FORGE, we can effectively measure our environmental-management performance against other banks and wider good practice.

Although we have reviewed and updated responsibilities during the year, the changes to our business structure mean that during 2004, we need to look again at environmental-risk roles and responsibilities throughout the company.

### Employee feedback

The results of our independent employee opinion survey were disappointing this year - 49% of our employees believe we're an environmentally responsible company compared to 52% in 2002.

### Environmental-management system

Our environmental-management system follows the principles of, but is not certified under, the international environmental-management standard ISO 14001. It also includes aspects of the FORGE Guidance on Environmental Management and Reporting for the Financial Services Sector.

Our environmental-management system will need to be updated and strengthened over the coming months to reflect changes in our business strategy, structure and employees. The extent and pace of change means our progress in line with our 2003 management objectives has been limited, but we have successfully reviewed our exposure to environmental risks and are developing a more detailed approach to environmental management for 2004.

Important gaps that we have identified include our employee-awareness and training initiatives, the way we collect feedback from our stakeholders, and the frequency of independent reviews. During 2004, we will consider these issues as part of our wider CSR management agenda, and we will report on our progress.

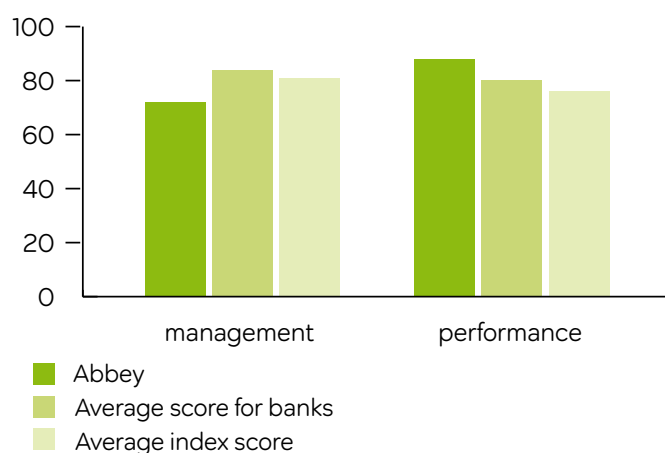
Our environmental-management system will take into account the recommendations of emerging industry initiatives and benchmarks, independent management reviews, and feedback from our stakeholders.

## Business in the Environment index

This index provides us with a benchmark of our environmental management and performance.

In the 2003 index, we were placed 16<sup>th</sup> out of 34 companies from the financial services industry, compared to 17<sup>th</sup> out of 39 in 2002. In the banking sector, we kept eighth place for the third year running. Our relative position is shown in the graph below.

### Overall management and performance benchmark



We scored above the average for banks in leadership, policy, objectives, targets, employees, environmental-management system, audit and assurance, and for our performance on managing waste and climate change. Some weaknesses in our supply chain, environmental responsibility of products and communication with stakeholders led to our management score being lower. We do recognise this and will strengthen our processes in these areas over the coming months.



	2003	2002	2001	2000	1999	Objectives and progress
<b>Energy use</b> (megawatts an hour – 'MWh')						
<b>Abbey excluding First National</b>						
Electricity	155,470	129,704	135,700	139,700	138,500	We are on track to meet our target of 10% of our energy coming from renewable sources by 2007.
Gas	45,421	34,447	41,500	39,400	43,500	
Percentage from renewable sources	9.6	6	-	0	0	
Percentage from combined heat and power supply	1.6	-	-	-	-	
<b>Energy use (MWh) for First National</b>						
Electricity	7,636	9,327	6,461	-	-	The total energy used, including First National, is 22% above our target of a 5% reduction on 1999 levels (target=172,900MWh).
Gas	1,889	2,888	3,106	-	-	
Percentage from renewable sources	0.61	0.06	0	-	-	
<b>Total energy use:</b>						
Not including First National	200,891	164,151	177,200	179,100	182,000	
Including First National	210,415 (estimated)	176,366	186,767	-	-	
<b>Water use</b> (cubic metres)						
Including First National	192,699 208,920	185,566	257,916	281,638	271,587	In 2002 we met our target of a 5% cut on 1999. We have not reset this target, but will do in 2004.
<b>Total waste from head offices and confidential waste from branches</b> (in tonnes, estimated)						
Percentage recycled	5,059 78	4,113 59	4,020 59	2,960 53	3,080 43	The increase in waste is due to providing more information. 11% is due to getting rid of archive documents, which also increased the recycling figure. In 2003 we exceeded our target of recycling 60% of waste.
<b>Business travel</b> (kilometres)						
Road (2002 tax year)	31,184,190	47,697,673	52,874,826	-	-	Rail information is included for the first year.
Air long haul	2,454,339	2,890,552	1,902,629	-	-	
short haul	10,694,586	8,412,603	6,236,255	-	-	
Rail	9,000,948	-	-	-	-	
<b>Video-conference facilities</b>						
Head offices	50	50	45	8	-	We are looking at ways to increase the use of existing facilities to reduce travel and costs.
Branches	18	18	18	0	-	

Data for energy, water and waste covers wholly owned and controlled sources in the UK, accounting for over 90% of our employees.

The following sections show how we are working towards our environmental policy.

We have signed up to, and are an active member of, the United Nation's Environment Programme Finance Initiative. In 2003, we joined the Initiative's working group on climate change, and produced a briefing note for chief executives on the implications of emissions trading for the sector.

We supported the Carbon Disclosure Project again in 2003. This is an initiative of 87 investors calling for more information on how companies manage climate-related impacts, risks and opportunities. In 2002, we were recognised as a company with superior awareness of climate-change risks and opportunities, and we are hoping to demonstrate how we have progressed when our 2003 results are published.

### Managing environmental risks associated with lending and investment

During 2003, Risk Management has continued to work with the relevant business units to identify how effective processes for controlling environmental risks are in each area. Our pension company, James Hay, has made good progress in developing its environmental-management procedures and identifying the level of environmental risk in the existing pension funds it manages. The procedures for carrying out commercial and residential mortgage valuations (which we revised in 2002 to reflect environmental-risk

considerations), have been in place throughout 2003 and we will review them in 2004 to see how well they are working. Guidance on environmental risk in lending for Abbey business will also be strengthened.

Good progress towards achieving our strategy to leave Wholesale Banking (which includes asset and securities financing, commercial lending, and corporate investments) means that our exposure to environmental risks has reduced. Accordingly, management's effort reduced in this area during 2003. Selling our finance subsidiary, First National, also means that our exposure to environmental risk has reduced.

### Environmental risks relating to fund management

Abbey National Asset Management (ANAM) has processes in place to highlight UK companies that are failing to meet the ABI guidelines on socially responsible investment. It

monitors developments in environmental responsibility as part of our wider corporate responsibilities and to identify customer needs for socially responsible investment products.

Our Ethical Fund will use its voting rights if companies it invests in are not meeting the necessary environmental standards, and will work with those companies to improve performance. ANAM considers social and environmental factors more generally if these could harm a company financially.

### Business opportunities

We currently offer personal customers a Homeview energy survey with their property valuation report, and the opportunity to invest in our Ethical Fund.

During 2003, we have made progress towards our objective of formally considering environmental issues when developing products and forming partnerships. In 2003 we

Tonnes carbon dioxide (CO <sub>2</sub> ) released	2003	2002	2001	2000	1999
<b>Total CO<sub>2</sub> from energy use:</b>					
Not including First National (FN)	67,204	58,061	66,236	67,557	67,820
Including First National	70,822	62,617	69,604	-	-
<b>Total CO<sub>2</sub> from business travel:</b>					
Road	6,237	10,493	11,632	-	-
Air long-haul	270	318	209	-	-
short-haul	1,925	1,514	1,123	-	-
Rail	540	-	-	-	-
<b>2002</b>					
Total CO <sub>2</sub> emissions including FN:	79,794	<b>74,942</b>	<b>82,568</b>	-	-
CO <sub>2</sub> emissions for each UK employee:	3.78	2.75	3.02	-	-

Dashes in the table show that information is not available.

Figures for carbon dioxide released (CO<sub>2</sub> emissions) from energy use cover wholly owned and controlled sources in the UK, accounting for over 95% of our employees. Figures for emissions from business travel covers 100% of our employees. Emissions are calculated using conversion factors in the DEFRA guidelines for greenhouse gas reporting (2002) at [www.defra.gov.uk/environment/envrp/gas/](http://www.defra.gov.uk/environment/envrp/gas/).

Electricity: 1KW = 0.43kgCO<sub>2</sub>

Long haul: 1km = 0.11kgCO<sub>2</sub>

Gas: 1KW = 0.19kgCO<sub>2</sub>

Car: Average petrol car: 1km = 0.20kgCO<sub>2</sub>

Renewables: 1KW = 0kgCO<sub>2</sub>

Rail: 0.060kgCO<sub>2</sub>

Air Short haul: 1km = 0.18kgCO<sub>2</sub>

Total full-time equivalent employees in 2003: 21,116

formed our Customer Propositions division. This will improve our ability to monitor and act on opportunities for business development associated with good environmental-risk management as we move forward.

### Meeting the law

We continue to be registered under the Producer Responsibility regulations for packaging the waste we produce, including traveller's cheque wallets, credit card carriers, coin bags and promotional items. There were no environmental prosecutions to report for 2003.

### Case study

#### Energy supply

- > Our new London head office was designed to be energy efficient, but we have also negotiated a 'green energy' contract for the property. As it's responsible for 9% of our total energy use, the Green Tariff supported and accredited by Ofgem is important to achieve our environmental management objectives.
- > 1.6% of the energy we use now comes from a combined heat and power supply, designed to maximise the reuse of waste by-products, increasing efficiency and reducing CO<sub>2</sub> emissions.
- > We've invested in a new 'humidification' system in Milton Keynes, which will be running from 2004 and should reduce the amount of energy used by 1,324 MWh each year. We'll investigate the use of similar low energy systems at our other sites.



### Property management

During 2003, we successfully increased the percentage of waste that we recycle, and the proportion of energy from renewable sources and from combined heat and power ('CHP'). CHP can increase the overall efficiency of fuel use in power generation by 70-90%.

Total energy use has increased by 20%, and water use has increased by nearly 4% on 2002 levels, which has affected our improvement targets. The increase in energy use is due to the:

- > move to our new London head office in Triton Square (see the case study left)
- > extra sites now included in the figures, and
- > continued supply of energy to our old London head office in Baker Street, until it was sold in December 2003.

The increase in water use is largely due to the extra sites included in the 2003 figures, but problems such as water leaks also contributed to the increase.

We will review our energy use, environmental strategy and targets in 2004 (delayed from 2003 because of

the significant organisational and property changes during the year).

### Business-related travel

A new system now allows us to collect accurate, company-wide information on business mileage by rail, air and road. This gives us a better idea of travel patterns and associated emissions, and areas where we could reduce environmental impacts and costs. We provide interest-free loans to employees for season tickets and are looking at ways to increase the use of existing video and telephone conference facilities to reduce our business travel and the environmental impacts associated with this.

### Climate-related risks

The environmental impacts of climate change are a greater risk to our medium- to long-term profitability. We are potentially exposed to damages due to climate change (for example, flood, storm and subsidence affecting our business premises, buildings we take mortgages on, and buildings we own as investments), and to the costs of greenhouse gases being released. We have measures in place to monitor and assess the risks of climate change



and initiatives, including the Climate Change Levy and Emissions Trading, and we will follow good practice in this area.

We directly contribute to climate change through the gases released from the energy and transport we use in our business activities. We also contribute indirectly through our lending, investments and buying goods and services.

The significant increase in CO<sub>2</sub> emissions for each employee (as shown on page 23) is due to the improvements in the quality of information gathered, (particularly for business travel, where coverage is now 100%), and increased energy use. The decreasing employee numbers over the course of 2003 coupled with few office closures also contribute to the increase.

### Buying goods and services

Our policy is to consider environmental factors when evaluating suppliers, and we continue to develop standards to support this. These standards set minimum environmental requirements for any goods and

services to be supplied to us and our customers. Our focus remains on areas that have the highest environmental risk – paper, print, computer hardware, travel and packaging.

We are currently testing a more detailed policy with one of our suppliers to encourage them to lead the way in using materials and processes with environmental benefits. The policy also contains a framework for assessing the supplier's own subcontractors, to encourage everyone to work towards continuous environmental improvement. In 2004, our Procurement team will work towards introducing the concept to other main suppliers.

### Looking ahead

Our objectives for 2003 will be carried forward and form a priority for 2004. These objectives are as follows.

- > Reviewing and strengthening arrangements for managing environmental issues.
- > Improving the quality and coverage of information on our performance.
- > Refocusing our performance targets.
- > Formalising our environmental considerations when developing products and choosing our partners.
- > Monitoring climate-related risks and opportunities.
- > Reviewing environmental management and performance reporting procedures to bring them more closely in line with our CSR management and reporting framework, and including recommendations from independent reviews.

We renew our commitment to continually improve our environmental management and meet our stakeholders' reasonable expectations of us.

## Verification Statement

"The verification\* of the Environment section of this report (pages 19 to 25) was carried out in April 2004 and included:

- > Discussions with Abbey on the environmental initiatives described in the report.
- > Discussions with senior management responsible for determining and implementing environmental policy, strategy and governance.
- > Representative sampling of the data and claims made in the report.

From the above evaluations, we consider the Environment section of this report is factual and, on the basis of the data examined, a true and accurate account of the key performance indicators selected by the Abbey for reporting."

Verified and signed on behalf of SGS United Kingdom by:



Jeff Dowson – Business Manager:  
Environment and Health and Safety

April 2004

"\*The data sampling and verification methodologies used were similar to those used by SGS United Kingdom Ltd when performing verifications against the EMAS Regulation (Regulation (EC) No 761/2001).

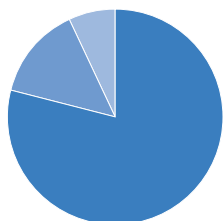
\*SGS United Kingdom, as independent verifier, played no part in the preparation of this report."





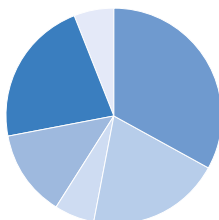
Community

### What we give



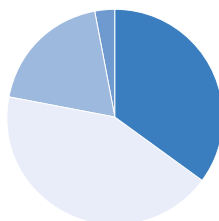
- 79% in cash
- 14% in goods and services
- 7% in management costs

### Who benefits



- 33% education
- 20% relief of suffering
- 6% community projects
- 13% other
- 22% disability
- 6% employment

### How we give



- 43% major donations
- 35% to match those of staff donations
- 19% community partnership
- 3% local branches



The figures above use the London Benchmarking Group reporting model. (The London Benchmarking Group reporting model is a way of managing and measuring companies' community involvement.)

### Pride in our community

We supported a wide range of charitable projects in 2003, mainly through our Charitable Trust. Last year, we and our Charitable Trust donated £1,711,380 in cash. The total value of the support we provided to charities and the voluntary sector was £2,170,036. There's a breakdown of our contribution on the left. The Trust's accounts are independently audited each year, and given to the Charity Commission.

The Trust has always aimed to reflect our, and the community's, values. And so, in January 2004, we introduced this new set of priorities to match our new business strategy (see below). These changes took place after we consulted charities, employees and our Board.

In 2004, we will actively promote

our new programme by talking to charities and inviting them to work with us to help their local communities. We're also putting in place a system for measuring the effect of our donations, reflecting our commitment to increasing our community support in those areas where we have a significant presence.

Over the last six years we have set up a network of Community Partnership Groups (CPGs) in those areas where a significant number of employees live. The CPGs are made up of current and retired employees, with a representative from a local charity. They are based in Belfast, Bradford, London, Glasgow, Milton Keynes, Norfolk, Sheffield and Teesside.

### Our new priorities

**The Trustees are committed to supporting local communities – particularly where we have a significant presence – by supporting disadvantaged people in the following ways.**

- > **Through education and training.** This may lead to a recognised qualification or be part of a programme of learning for disadvantaged people. Charities need to show how this training will make a lasting contribution to their local communities.
- > **Through local regeneration projects which encourage partnerships within the community.** To meet this priority, different parts of the community need to work together to help improve their local area. The aim is to encourage community networks, partnerships and shared resources. This would include projects involving younger and older people working together, including disadvantaged people, community-wide projects, and encouraging people from different ethnic groups to work together.
- > **Through financial advice to help people manage their money.** Helping disadvantaged people take control of their money and develop the confidence to make informed choices about their finances. This would include budgeting skills and advice about managing the financial challenges that arise from unemployment, disability and ill health.





We recently donated £10,000 to the Broadway Project in Shepherd's Bush, London. Broadway is one of London's leading charities, working to help every single person find and keep a home. Our donation contributed to teaching homeless and vulnerable people skills needed to live independently, such as how to budget, cook and develop self-confidence.

"Homelessness is an issue which affects us at both a local and national level. It is a pleasure to see such a positive example of local business getting involved with community services, and the two working together to be a force in social welfare."

MP Clive Soley.

### Measurement

Each year, we invite charities that have asked us for support to give us their feedback on the process and to tell us about the long-term effect our donations have had. This helps us to assess how useful our contribution is.

### Employee volunteering

We launched some new initiatives to encourage our employees to volunteer in their local communities.

'Number Partners' is a project that uses board games to promote maths and number skills with children in primary schools for an hour each week.



Changing Faces aims to provide a better and fairer future for children, young people and adults who have disfigurements to their faces, hands or body. We supported the registered charity by funding two information packs. The first, for employers, will be distributed in June in time for the amendments to the Disability Discrimination Act. It has information about the new laws, how disfigurement is seen, and a good practice guide.

Approximately 1 in 500 schoolchildren have a severe disfigurement, and the second leaflet is for schools to use as part of the new Diversity and Citizenship Curriculum.

"This is a great vote of confidence in our work. Thank you very much indeed."

James Partridge, OBE, DSc, Chief Executive of Changing Faces

E-mentoring allows employees to volunteer from their desks. Volunteers mentor a young person aged between 14 and 16, helping to motivate them in their chosen subjects. We tested the scheme in London's Camden area, and then in Milton Keynes. We're now offering it in other main office sites.

In 2004, we will also be launching the Business Experts volunteering programme where employees can share their business expertise with local charities. This may be in managing projects, IT skills, dealing with the press or other areas that could be useful to the local community.

Increasingly, employees are using our Matched Time scheme which allows them to use up to 35 hours of paid work time a year for volunteer work.

### Looking ahead

This year, we're going to:

- > make the e-mentoring scheme available nationally
- > collect and analyse feedback from charities about our priorities and the support we can offer, and
- > send our Trust's members out to actively promote our programmes by visiting charities, attending funding fairs and 'meet the funder' events in our main areas. We want to make the process of applying for our help easy to use and understand. We will talk directly to charities to make sure potential applicants have a good understanding of what we can fund.



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