



# CORPORATE SOCIAL RESPONSIBILITY REPORT 2010

This is Santander UK plc's 11th annual Corporate Social Responsibility (CSR) Report. It covers activities relating to Santander's operations in the UK for the period January to December 2010 and takes into account developments at the beginning of 2011 where they have a bearing on the content of the report.







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# INTRODUCTION

2010 saw another challenging year for the UK economy and the banking sector in particular. Against this backdrop Santander UK produced a strong set of results, delivering its sixth consecutive year of double digit growth.

Our business faced some challenges of its own and we have been proactively addressing these, not least of which have been our efforts to improve customer service.

We are committed to tackling service issues within our business and it has been a key priority for our management teams in 2010. To improve customer service levels and support our ongoing growth we created 1,000 UK-based customer-facing roles in our branches and call centres.

The way we handle complaints was also overhauled in 2010; we now typically resolve around 80% of complaints within 48 hours and the volume of complaints reportable to the FSA in the second half of the year was 20% lower than in the first half.

We have a firm commitment to branch-based banking and we further expanded our network in the year through new campus branches and additions to our agency channel following the acquisition of the Halifax agency network. In many cases these agencies represent the 'last branch in town' reinforcing our support for communities across the UK.

Our support for homeowners was maintained throughout the economic downturn. We provided lending of over £24 billion, and similarly our business customers, who have found the economic conditions particularly challenging, were supported in the year with new funding commitments exceeding £6 billion.

For our employees, 2010 was an important year as we worked closely with their unions to align the key HR policies from Abbey, Alliance & Leicester and Bradford & Bingley to provide a fair and consistent framework for people management across the integrated business. Consultation took place on proposals to integrate terms and conditions of employment and agreement was reached on the implementation of a new grading structure and the introduction of new policies.

Our other stakeholders benefited from our growing investment in CSR with a 68% increase in contributions to society in 2010. This saw £10 million of funding provided to the community in the year, primarily supporting education projects through Santander Universities and the Santander Foundation.

Our aim in 2011 is to continue to prioritise our CSR activities: to increase our lending to UK businesses and retail customers, and create new jobs as we open more business centres to serve them, playing our part in the recovery of the UK economy.



**Lord Burns**  
Chairman

# COMPANY PROFILE

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

## GOVERNANCE STRUCTURE

Santander UK plc is a subsidiary of Banco Santander, S.A. As at 31 December 2010, the Santander UK Board is comprised of a Chairman, two Executive Directors including the Chief Executive Officer, and seven Non-Executive Directors. The roles of Chairman and Chief Executive Officer are separated and clearly defined. The Board has two standing committees: the Audit and Risk Committee and the Remuneration Oversight Committee.

## BUSINESS DIVISIONS

- Retail Banking – offers residential mortgages, savings, banking and other personal financial products as well as private banking and other specialist services.
- Corporate Banking – offers banking services principally to small and medium-sized UK companies.
- Global Banking & Markets - provides financial markets sales, trading and risk management services, as well as manufacturing retail structured products.
- Group Infrastructure - includes asset & liability management, economics, group capital and funding.

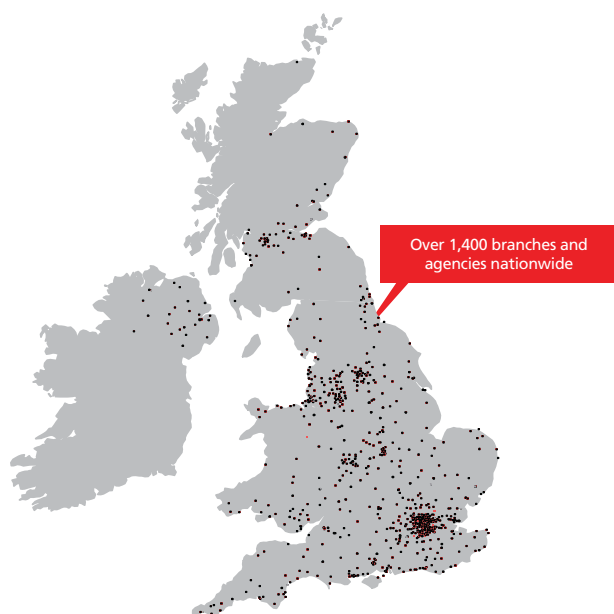
## SUPPORT DIVISIONS

- Retail Products and Marketing – responsible for integrating and gaining the maximum value from Santander UK's products, marketing and brand communications.
- Human Resources – responsible for delivering human resources strategy and personnel support.
- Manufacturing – responsible for all information technology, cost control and operations activity including service centres.
- Risk – responsible for ensuring an appropriate risk policy and control framework.
- Internal Audit – responsible for supervising the compliance, effectiveness and efficiency of internal control systems to manage risks.

## CORPORATE UNITS

- Financial Planning, Financial Reporting and Tax, Cost Management & Control.
- Corporate Services (legal, secretariat, compliance and regulatory risk management).
- Service Quality.
- Communications.
- Santander Universities in the UK.

## Branch Network



## Corporate Banking Centres



# BUSINESS UPDATE

In 2010, Santander UK produced another strong performance; overall profits increased despite the challenging operating environment in the UK.

Statutory profit after tax increased by 27%, the sixth consecutive year of double digit growth, while trading profit before tax increased by 12%. Our trading income was 5% higher at £4,870m and trading expenses were marginally higher than 2009 resulting in a further improvement to our cost-to-income ratio to 41%, maintaining Santander UK's strong position relative to our UK peers.

## BUSINESS PERFORMANCE

Our distribution network across more than 1,400 branches (including agencies) and 25 corporate business centres is an effective platform for delivery of new business and servicing existing customers. For the second year in succession we opened over one million new bank accounts. In the year we also opened 432,000 new credit card accounts, reached investment sales of £3.5bn and increased lending to SME businesses.

Our efficiency has given us a significant competitive advantage which we utilised to deliver a market leading range of value-for-money products. Innovation and rewarding customers who do more business with us have been trademarks of our proposition. Through products such as the Santander Zero Current Account and the Zero Credit Card, and a range of competitive mortgage, savings and other product offers we have achieved more best-buy mentions than any of our UK competitors and delivered strong levels of new business growth.

Despite a slowing housing market we continued to support home buyers with gross mortgage lending of £24.2bn in 2010, which equates to almost 1 in 5 mortgages, well ahead of our market share of mortgage stock of 14%. Our sustained focus on the quality of new lending based on affordability and robust risk management continues to be effective as evidenced by our low levels of mortgage arrears. Our arrears and repossession levels have remained significantly better than industry benchmarks from the Council of Mortgage Lenders.

As part of our progress towards becoming a full-service commercial bank we invested in our small and medium sized enterprise franchise, with lending to this sector up over 26%. In 2010 we announced that we had reached an agreement to acquire 318 branches and more than 40 banking centres from Royal Bank of Scotland. On completion, this is expected to increase our SME lending market share from its current level of around 3% to more than 8%.

## INTEGRATION AND EXPANSION

The rebranding of Bradford & Bingley's savings business and Abbey branches to Santander was completed in January 2010 and the rebranding of Alliance & Leicester branches was completed in December 2010. The planned integration of systems, processes and management structures was also completed: all personal customers' data has now been transferred onto Partenon, Santander's proprietary IT platform.

## FUNDING, LIQUIDITY AND CAPITAL

During 2010 we funded growth in our lending portfolio to our retail and SME customers by attracting new customer deposits and we ended the year with an improved net commercial funding position and an improvement in the loan-to-deposit ratio to 123% (2009: 126%).

Market conditions remained difficult in terms of access to credit and liquidity. Despite this, we were able to leverage our strong financial position and brand to raise over £20bn of medium-term wholesale funding at attractive rates during 2010. During the year, the holdings of core liquid assets increased significantly from £14bn to £40bn in response to new regulatory requirements.

## LOOKING AHEAD

We have established a solid banking platform over the past few years and a key part of our strategy going forward will be to build on this and diversify our business mix. It will still be underpinned by our strong position in retail banking, but will include more premium and private banking services and expand in business and corporate banking, further strengthening our SME franchise. Our priorities for 2011 are to:

- see further improvements in customer service in 2011; we believe the measures taken in 2010 will have a positive impact on service quality and this remains a key priority across our business.
- work towards completing the acquisition of the Royal Bank of Scotland Group branches and banking centres, a key step in fulfilling our ambition to be a full-service commercial bank.
- continue to support homeowners; this was maintained throughout the recent economic downturn and we expect to do so again in the year ahead.
- encourage customers to do more business with us; the customer Loyalty strategy we introduced has been very successful and we anticipate further progress in 2011.

We are fully supportive of the principles of the UK Government's lending growth targets which formed part of the 'Merlin' agreement and have committed to £6.7bn of gross new lending to businesses in 2011. We expect that almost £4bn of this new lending will be to SMEs in 2011, an increase of 25%.

## Channels



## Financial and Key Data

2010

2009

### 1. OPERATING HIGHLIGHTS (£M)

Trading income	4,870	4,658
Profit	1,583	1,245

### 2. BALANCE SHEET (£M)

Reserves	12,274	6,506
Equity Tier 1	10,890	6,438
Total assets	302,860	285,291
Total customer funds	152,643	143,893

### 3. MANAGEMENT RATIOS (%)

PFS trading cost:income ratio	41	42
Tier 1 ratio	14.8	9.5

### 4. SOCIAL CONTRIBUTION (£M)

Salaries and other staff costs	835	905
Taxes on continuing operations	542	445
Community contribution	10	6

### 5. KEY DATA

Number of customers (million)	25	25
Number of employees (full-time equivalent) <sup>1</sup>	24,624	24,434
Number of branches	1,400	1,300

1. Total number of employees in the UK as distinct from Santander UK plc employees (2010: 19,848 / 2009: 19,483)

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



# TAKING RESPONSIBILITY

Corporate social responsibility is about how a company can perform to its best in a socially responsible way. Santander is committed to being a good corporate citizen and to treating all those who come into contact with us in a fair and ethical manner.

## MANAGEMENT APPROACH

The Santander UK approach to CSR is based on managing the responsibilities we have to our key stakeholder groups: customers, employees, communities, suppliers and 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 at the back of the report (p.32). This is the first year that the CSR Report audit has encompassed the GRI index. The CSR team has responsibility for defining the content for the report and it works with representatives from around the business for the five CSR stakeholder groups in order to prepare the material.

Additional information is gathered to ensure our wider stakeholders – regulators, government, the media and consumer groups – and their views are taken into account. This ensures that we cover issues that not only do we believe are important to our business but also those that are deemed as material by society as a whole. The report is made available to all our stakeholders via the internet - [www.aboutsantander.co.uk](http://www.aboutsantander.co.uk) > csr.

## CSR STRATEGY

This year saw the launch of the new three-year plan for CSR 2010-12 with five strategic priorities:

- 1 investing for a step-change in CSR
- 2 focusing activities on the core theme of education
- 3 targeting outstanding gap areas
- 4 maintaining progress in good practice areas
- 5 meeting mandatory and regulatory CSR requirements

As our business has become more successful we are increasing our investment in CSR activities and we have committed to doubling our spend in this area by 2012. The focus on education is based on the Santander Group CSR strategy, and with the increased investment in the year we launched a new Santander Education Fund to support different elements of the sector from secondary to further and higher education. We now have three flagship programmes supporting education in the UK: Santander Universities, Santander Foundation and the Santander Education Fund.

We also prioritised the areas of our programme which had historically been under-invested in, including Financial Inclusion & Capability. We commenced funding of Money Advice Trust, supporting the money and debt advice line for people in financial difficulty, and increased our support for credit unions. Our environmental activities were extended to begin to engage our employees in helping us to reduce our impact on the environment.

In terms of good practice activities, the management of our day-to-day impact on the environment continues to make positive progress and with regards to employees our award-winning workforce initiatives were further developed in the year. Our community programme is going from strength-to-strength with more employees taking part in the company's scheme.

There has been a significant amount of regulatory and Government initiatives in the year that we have responded to, including the Independent Commission on Banking (ICB). The ICB was set up by the government to recommend reforms to the UK banking sector to promote financial stability and competition. In February, the Santander Group CEO, Alfredo Saenz, appeared before the House of Commons Treasury Select Committee to give evidence as part of their inquiry into financial institutions that are 'too important to fail'.

Santander has also been actively involved in the development of the industry taskforce on 'Better Business Finance'. And the Carbon Reduction Commitment came into force which saw Santander begin the data collection necessary to meet the reporting requirements of the scheme.





## SUPPORTING EDUCATION

The new Santander Education Fund provided funding of over £1m to projects addressing financial capability in the secondary and further education sectors. Through a series of new partnerships with leading national charities and third sector organisations we are providing long-term support for financial education to help increase financial awareness and capability for young people, and to fund materials for disadvantaged groups.

### Career Academies UK

The charity runs programmes aimed at 16 to 19 year olds who are at risk of becoming unemployed when they leave school. In 2010, we commenced a three year partnership to support Finance Academies in London, Bradford and Liverpool – areas of the UK where we have main offices. In addition to funding the resources and materials to run the academies, we provided 16 summer internship placements.

### Young Enterprise

We launched a three year agreement with the business education charity to support their 'Start-up' programme. This is an inspirational year long scheme, enabling students aged between 18 and 25 to experience the challenges and rewards of setting up and running their own businesses.

### Credit Action

Credit Action is a national money education charity with a particular emphasis on helping those most vulnerable to financial difficulties. They produce the well respected Student MoneyManual, a guide for new University students on the basic, crucial information they need to know about money issues. The guide is distributed annually via UCAS to every student in the UK applying for university. In 2010, over 400,000 students received a copy of the Santander-funded guide.

### Pfeg

Pfeg (Personal Finance Education Group) helps schools teach personal finance to students. We provided funding and support for the development of a web based teaching and learning resource 'Money Works: it's your business' to support the Personal Finance and Financial Services units within the Business Administration & Finance (BAF) Diploma.

### Common Purpose

The charity runs leadership and education courses and Santander is providing funding for three years for their Frontrunner Course specifically targeted at disabled students to help develop their leadership skills and equip them to be on UK public policy boards. The residential course will see 400 young disabled people undertake the training in 2011.

### Citizenship Foundation

'My Money, My Rights' is a pocket guide to money matters which aims to increase awareness of financial issues and enable young people to make better informed financial choices. Santander sponsored the distribution of the charity's manual to all Year 10 students (aged 14-15) in UK schools, reaching around 750,000 young people.



# CUSTOMERS

## VALUE FOR CUSTOMERS

Continuing to deliver great value for our customers was a focus for Santander in 2010. This was clearly demonstrated with the opening of one million new bank accounts, a testament to the popularity of our products in the marketplace. And our Loyalty strategy was further developed - the more business customers do with us, the more we offer them in return - with new products for our existing customers.

## BANKING SERVICES

During 2010 we widened the eligibility criteria on our flagship Zero current account which provides a fee-free overdraft. It comes with a Visa debit card which can be used fee-free at ATMs and in shops around the world. This account was originally available to customers who had a mortgage and in March was extended to those with an investment with Santander. In December 2010 we widened the eligibility to include customers who have £10,000 or more in savings with us. This took effect from January 2011.

Our product range was recognised by Moneyfacts – who named Santander as its 'Personal Finance Provider of the Year' in 2010.

In order to help combat internet-based fraud on bank accounts, we introduced a One Time Password system to provide an additional layer of customer protection. We also provide 'Rapport' software, which acts as an additional firewall. It is free to download and protects our customers' banking details from fake websites. In January 2011, we also enhanced the levels of key protection and identity theft protection for our Reward and Premium added-value accounts.

## MORTGAGES

In 2010, we provided 1 in 5 mortgages in the UK. Gross lending was £24bn for the year, cementing our position as the UK's second-largest mortgage provider. Rewarding customer loyalty continued to be a priority and we launched a number of loyalty products specifically aimed at existing current account customers. These included three and five year fixed and two year tracker offers.



During the year we focused particularly on first time buyers, launching special products and increasing the maximum loan to value (LTV) on new build properties in partnership with Barrett.

## CREDIT CARDS

In January we announced that existing Santander Zero account customers could benefit from the competitive rates and 0% interest on balance transfers for 12 months that the card offers. In particular the fee-free foreign exchange helps to make consumer holiday spending abroad less expensive.

## SAVINGS

We launched market leading rates in 2010 on our new Flexible ISA. The account offered a minimum rate guarantee for 12 months along with tracking any changes in the Bank of England base rate for 12 months. Following the success of Flexible ISA we launched Loyalty Flexible ISA to reward customer loyalty.

The Tracker Bond and Loyalty Tracker Bond offered the security of a fixed minimum return but allowed customers to benefit from any base rate movements over the 12 month term.



## AFFINITY SUTTON

In July we announced a partnership with national affordable housing provider Affinity Sutton in a new pilot scheme to help support shared ownership. The initiative, which sees Santander as the only mainstream lender to support the Shared Ownership market with a 95% LTV product, is already starting to help first time buyers get a foot on the property ladder and play a vital role in supporting the creation of more affordable housing across London and the South East.

With over 55,000 homes and a 100 year history, Affinity Sutton is one of the biggest providers of affordable housing in England. As a business for social purpose it's committed to helping people put down roots and is one of the leading providers of shared ownership homes with developments across the country.



## SUPPORTING BUSINESSES

We actively supported the Small to Medium-sized Enterprise market in the UK during the challenging economic conditions that existed in 2010 through our Corporate & Commercial Banking and Business Banking divisions, increasing our overall lending to SMEs by 26% at a time when bank lending overall was significantly reduced. We made new funding commitments to UK businesses exceeding £6 billion in the year.

### SMALL BUSINESSES

Through our Business Banking division which manages business customers with an annual turnover of up to £1m, we increased lending by 30% year-on-year. We opened over 87,000 business current accounts in 2010 and a number of key trade associations chose to make us their banking partner, endorsing our products to their members.

We continued to offer a range of good value products and services, helping small businesses to lower their costs and make a difference to their bottom line. We maintained our 'free day-to-day business banking' offer, whilst also launching a number of products to support both savers and borrowers. These included: fixed rate commercial mortgages, a 1 year business tracker bond and the Client Business Reserve and Business Reward Saver products which offered some of the best rates of interest on the high street.

We worked with industry bodies for the benefit of our business customers and formed relationships with a number of external organisations such as the National Council for Graduate Entrepreneurship (NCGE), which promotes a culture of entrepreneurship in higher education, and the East London Small Business Centre (ELSBBC), a not-for-profit organisation providing business support services across all 32 London boroughs.

Recognising the strength of our offering, Business Moneyfacts named us 'Business Bank of the Year' for the second year running and 'Best Business Current Account Provider' for a record eighth consecutive year. We were also awarded the Commercial Mortgage Provider for 2010 Award and Most Supportive Lender of the Year 2010 Award at the National Association of Commercial Finance Brokers Industry Awards.

### POST OFFICE NETWORK

Santander has a strong presence in the local community through our partnership with the Post Office network. In 2010 we opened up the Post Office channel to Santander Corporate Banking customers. To compliment our involvement with the Post Office we have agreed to a joint marketing initiative at both a national and regional level.

## CORPORATE BANKING

We have a growing presence in the corporate banking sector with an expanding network of 25 Corporate Business Centres across the country, and a dedicated Large Corporate team. We are committed to putting relationship management at the heart of our business and have structured our teams along regional lines, working with SMEs and mid-sized corporate businesses in key commercial locations.

We have a range of products and services, reflecting the fact that every business and organisation is different, together with tailor-made solutions in: Corporate Money Management, Funding, Deposits, International and Supply Chain.

### SOCIAL HOUSING

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

Delivered by the Social Housing Finance team, we are a market leader, with commitments approaching £10 billion to almost 300 Registered Providers (RPs), spread across the UK.

Demand for good quality affordable housing in the UK has never been stronger and significantly outstrips supply. By investing in the sector, we are supporting RPs' ongoing development and repair programmes. Throughout 2010, despite a lack of funds available in the market, we remained firmly 'open for business' and delivered bespoke funding and treasury solutions to over 60 RPs, many of which were new customers to Santander.

As the sector continues to grow and diversify we are committed to being at the forefront of developing efficient and effective solutions that meet the current and future needs of social landlords.



Santander is committed to supporting small businesses and our advisers are well placed within communities to understand the local markets. We can provide the right products and services to businesses and our knowledge of local areas is invaluable to be able to support business owners in getting the right support to start and grow their business.



### MTS CLEANSING SERVICES

MTS Cleansing Services is one of the largest liquid waste management firms in the UK. In recent years, the company found that fees for landfill use were increasing - threatening its business model. As a result, MTS created a new recycling business to turn its liquid waste into safe, eco-friendly fertiliser, using novel composting technology.

Santander Corporate Banking helped MTS create a new legal entity for the new business, and designed a bespoke financial structure. Santander also helped by bringing experienced local legal specialists on board. Working closely with MTS, Santander was able to turn the deal around inside ten weeks, and construction on the new composting facility began within months.



### GREENER SOLUTIONS IT BUSINESS VENTURE

Father and son business team Mark and Rodney Huffman launched Canopus Technical Services in August 2009 with a primary focus on social and ethical corporate responsibility, environmental sustainability and reducing carbon

footprints. The company acquires used IT equipment from businesses and remarks or recycles it. Santander has acted as the main bank, via the Small Business Advisor at the Cross Street branch in Manchester, for the family team since the outset providing lending facilities to help their business establish itself.

Mark Huffman commented: "We launched the company in response to a business requirement to recycle IT equipment in a sustainable and environmentally friendly manner. In the seven months we have been operating we have already built up a considerable and impressive client list for our service, including a number of UK local authorities, Sainsbury's, Bosch, and CNBC.

"We have received considerable support from our Santander Small Business Advisor, Carla Hart. She has ensured we have the right accounts and loan deals to help us get off the ground and support us as we grow. Santander Business Banking has enabled Canopus to gain ISO 27001, a high international standard for an Information Security Management System, as well as purchase new equipment and increase staffing levels to meet our customer requirements and deliver exceptional service."



### SUCCESSFUL DEVON RESTAURANT EXPANSION

Naz Indian Cuisine, a family-run Indian restaurant based in Teignmouth, Devon, has been able to expand into a neighbouring town following the purchase of new premises with funding from Santander.

Mohammed Faruk Ali, his sister Alhala Khatun and her husband Nasim Ahmed have been running the successful Naz Indian Cuisine since 2004 and have been looking to expand for some time. When Carlino's restaurant in Newton Abbot came on the market, they identified it as the right place to grow their business.

Mohammed Faruk Ali commented: "This was an excellent opportunity for us to develop our business in a prime location. We will need to undertake some refurbishment and remodelling work for the premises to fulfil its potential and we have been able to get our plans underway for the purchase and refurbishment thanks to Santander.

"Our regional business advisor from Santander has worked with us to secure a great deal and therefore helped to secure our future as a successful family business. His knowledge of the local area enabled him to see our vision for the new restaurant and thanks to securing the deal we can now look forward to building a relationship with new customers as well as welcoming back regulars."

Bruce Moss, Santander Business Banking said: "As a local person I know how popular Naz Indian Restaurant is within the community and the new premises will be welcomed; especially now the new restaurant will be able to seat more people. This is the perfect premises for them to carry on building their business and they have plans in place to ensure that their business will grow and the expertise to support that growth."





## SERVICE QUALITY

Delivering great customer service is the responsibility of every department and every employee at Santander. We know it is only by focusing on the customer at all times and delivering excellent service that we will differentiate ourselves from the competition and reach our goal of being the best commercial bank in the UK.

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

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

In 2010 over 200,000 customers were surveyed to find out how satisfied they were with their branch or call centre. Customer satisfaction improved in the first quarter but deteriorated as a result of business growth pressures in Q2 and the integration of Alliance & Leicester in Q3. Improvements in Q4 saw overall satisfaction finishing the year slightly higher at 81% versus 80% a year earlier.

## IMPROVING OUR SERVICE

We know that we have more to do to improve the experience of our customers and we launched a number of initiatives in 2010 to help address this:

- Recruiting 600 more staff for our busiest branches and 400 more staff in our UK call centres
- Key areas giving rise to complaints such as switching accounts and the issue of cards and PINs were targeted by a dedicated programme of process improvements
- Continued enhancement of our fraud detection processes, to make customers' money even safer and significantly improve the speed of a refund should fraud occur on a customer's account
- Being better at how we manage complaints

## MANAGING COMPLAINTS

Complaints handling has been a key focus for improvement in 2010. An expert complaints telephony helpline for our customers was launched, front line staff were retrained in complaints handling and extra resources have been brought into our central complaint handling areas.

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

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

We now typically resolve around 80% of complaints within 48 hours and we have relatively few complaints outstanding over 4 weeks.

The volume of complaints reportable to the FSA reduced by around 1 in 5 in the second half of 2010. The latest figures from the Financial Ombudsman Service (FOS) confirm that the uphold rates in favour of those of our customers who choose to escalate their complaints to FOS remain well below the industry average.



## TREATING CUSTOMERS FAIRLY

Treating Customers Fairly (TCF) continues to be a key focus of our regulator, the Financial Services Authority. From 2009 TCF has been incorporated into their main regulatory risk assessment framework for major retail groups (known as ARROW) and other thematic or ad hoc reviews.

Following on from our TCF self assessment programme which was completed across the key Retail business areas, back office and critical customer support functions we continue to assess and enhance our TCF approach. This includes monitoring key performance indicators, reviewing customer outcomes and instigating robust action plans where issues are identified. The actions and developments from these assessments continue to be reviewed and enhanced to maintain our focus.

An example of this has been the Product Approval Process where we have enhanced our risk assessment to better reflect consumer outcomes to deliver products that are in line with customer expectations.

We have also reviewed our advice guidelines and product classifications to reflect that customers are less tolerant of exposure to 'risk'. Greater emphasis is placed on the need for customers to diversify their investments and to ensure they keep adequate reserves in cash deposits. These changes have been made to increase customer understanding and reduce the risk of them suffering unexpected losses.

Another key initiative has been the ongoing development of a TCF program designed to test literature items and pre sales material and communications, this includes the use of a consumer panel. This approach allows us to continually improve the way in which we communicate with our customers.

In line with our commitments last year our Corporate banking division has also incorporated TCF into its strategy and customer framework, following a similar approach to Retail.

## FINANCIAL INCLUSION & CAPABILITY

Santander continues to support initiatives to reduce the number of people who are financially excluded because they are unable to access mainstream financial products such as bank accounts and low cost loans.

Our strategy is to focus our efforts on the priority areas identified by the Financial Inclusion Taskforce, the body set up by the Government to promote financial inclusion. The priority areas are access to basic banking services, money advice and affordable credit. We became a full member of the Taskforce during 2010 thereby contributing to the formulation of the national strategy for tackling financial exclusion.

### BASIC BANKING

Santander offers basic bank accounts, an important first account for many people who have not operated a bank account before or who are not confident in managing their money. For people without experience of a banking relationship, basic bank accounts can act as an invaluable stepping stone to current accounts with a wider range of features.

The Santander basic bank account can be accessed over Post Office counters and it provides many of the same benefits as other current accounts, such as being able to receive and make payments (for example via Standing Orders and Direct Debits), but without the possibility of becoming overdrawn.

### MONEY & DEBT ADVICE

2010 saw an important milestone for financial capability in the UK with the launch of the new Consumer Financial Education Body (CFEB) - renamed the Money Advice Service in April 2011. This is an independent body that is responsible for helping consumers understand financial services and manage their finances better. Its key task will be to oversee the roll-out of a national financial advice service that will offer consumers free and impartial information and guidance on money matters. CFEB is primarily funded by the financial services industry through a levy.

In 2010 we substantially increased our support for the Money Advice Trust, operator of the National Debtline and Business Debtline. These services provide free, confidential and independent advice to consumers and small businesses on how to deal with debt problems. Our intention is to increase our contribution to the Trust in 2011 to further fund the important work that the organisation conducts. Santander is now represented on the Partnership Board of the Trust.

## Credit unions supported in 2010



### AFFORDABLE CREDIT

In 2010 we provided financial support to five credit unions in the Midlands, Yorkshire and the North West of England:

- Calderdale Credit Union, Calderdale
- Castle & Minster Credit Union, Huddersfield
- Clockwise Credit Union, Leicester
- Sefton Credit Union, Liverpool
- White Rose Credit Union, Pontriffract

The funding was targeted at expanding the credit unions' capacity to supply affordable credit and other basic financial products to their local communities. For example:

- New equipment funded at White Rose Credit Union will enable the organisation to upgrade its software system, allowing more loan and saving accounts to be added, as well as offering more functionality to improve the efficiency of the service offered to its Wakefield Members.
- The support provided to Clockwise Credit Union helped them to relocate to a new, larger main branch in the city centre, increasing both the number of customers they can serve and the range of services they can offer in the branch.

Other initiatives in this area included promoting volunteering opportunities in local credit unions to our head office staff and funding for a research project into the supply of affordable credit in Greater London. The research project is being led by Paul Jones, head of the Liverpool John Moores University Research Unit for Financial Inclusion. The aim of the research is to identify ways of enhancing the capacity of credit unions and other providers of affordable credit in the region.

### FINANCIAL CAPABILITY

We support the issue of financial capability through the Santander Foundation grants programme which provides donations to charities working to increase financial understanding and awareness, and through the Santander Education Fund programme.

For instance, we funded a financial literacy programme at the University of Leeds in 2010. The programme exposes Key Stage 3 students to the world of finance through an interactive enterprise competition and provides a peer led advice and guidance programme to demystify student finance for students aged 16 and over.

### PLANS FOR 2011

As part of the wider 'Merlin' agreement reached between HM Treasury and the leading UK banks Santander has made a commitment to provide support to UK businesses going forward in order to contribute to the recovery of the UK economy:

- We will increase gross lending by 12% overall and lending to SMEs by 25%
- We will provide £6.7bn in new gross lending in 2011, with £4bn of this directed to SMEs

# EMPLOYEES

## A REWARDING PLACE TO WORK

The majority of our 24,000 employees are based in our branches and call centres. Our goal to be the best bank for our customers goes hand-in-hand with our aspiration to be the best place to work for our employees. Creating a flexible workplace that reflects the individual needs of our employees is key to this goal, particularly as around 60% of our workforce are women.

### REWARD & REMUNERATION

Pay levels and bonuses have been a significant stakeholder issue for the financial services sector in 2010, however as a retail-focused bank the high figures seen in the media do not reflect our business. Following the publication of the revised FSA Remuneration Code in December, we will be working to ensure continuing compliance with the Code during 2011.

In March 2010 we implemented the second year of a two-year pay deal (agreed with our unions in 2009) to provide staff with financial stability at a time of unprecedented economic turbulence and negative inflation.

Subsequent pay negotiations took place in February 2011 and the pay deal agreed with our unions was higher than other major UK banks with a market leading award of up to 3.1% for a successful performer. Employees will receive a fixed percentage increase based on their year-end performance rating and position in the salary range for their role.

Santander's salaries are positioned around the median levels for the industry sector, however, it is important that we understand and, if necessary address, any inequality amongst employees. We worked in partnership with our unions during 2010 to ensure that we have robust frameworks in place to achieve this, through the introduction of a common approach to grading and salary ranges across Santander UK.

### PENSIONS

We look to provide staff with pension arrangements that are fair, competitive and sustainable. Following a major review and staff consultation throughout 2009, changes to the Defined Benefit (final salary) schemes were agreed, and introduced from 6 April 2010. 21% of staff are in these schemes. The new Defined Contribution (money purchase) pension scheme that we launched in 2009, the Santander Retirement Plan, continued to achieve a participation rate of around 80% of eligible employees and at the end of the 2010 around 14,200 (50%) employees were contributing to the Santander and Alliance & Leicester Defined Contribution plans.

### SHARING SUCCESS

A further invitation under the Santander UK Sharesave Scheme was launched in 2010, giving employees the opportunity to buy shares in Banco Santander S.A. This provides staff with the chance to gain any benefits from the bank's share price performance in the future. The 2010 invitation was a success

with over 15% of eligible employees participating. This was a particularly good result given that a significant number of employees had already maximised their savings through participation in the previous schemes.

### ENHANCED BENEFITS

We provide a menu of benefits that employees can select from, reflecting the diverse nature and requirements of our workforce. Throughout 2010, we continued to enhance our online benefits website, [www.LetSantanderBenefitYou.com](http://www.LetSantanderBenefitYou.com), through the addition of new benefits such as healthcare cash plans. Over 60% of employees are registered on the site.

### SANTANDER IS YOU

The 'Santander is you' global HR programme aims to promote the benefits of working for Santander as well as helping to raise awareness of the company's values.

In 2010, employees from across the Santander UK entities were given the opportunity to get involved in both local and global activities. These included charitable and community activities, golf events and the second annual 'Santander is you' race, which was held in Chile. During 'Santander is you' week we ran communications campaigns to let employees know more about the Santander values and how to make the most of global benefits through informative discussion packs, articles and video messages.

## AN INCLUSIVE WORKPLACE

### INCLUSION & DIVERSITY

We recognise that both our customers and employees come from a wide range of backgrounds. The Inclusion & Diversity strategy seeks to ensure that we recognise our people as individuals and understand that diversity is important to the success of our business. This adds value to our company - by having diverse teams that reflect our customers, we will be successful in achieving our aim of becoming the best commercial bank in the UK.

We want to create an environment where all our employees can contribute to our success and our new three year Inclusion & Diversity Plan, which builds on our previous programmes and achievements, is helping to drive our activities forward. Our key achievements during 2010, the first year of the plan, included:

- Undertaking a full impact assessment to ensure compliance with all aspects of the Equality Act
- Complying with our Northern Ireland Statutory reporting requirements
- Completing our third Opportunity Now benchmarking exercise
- Establishing a Disability Support Forum to support our disabled employees





We launched a new 'Passport to Parenting' reward proposition in the year, a comprehensive package of support for employees who are parents or about to become parents. The scheme allows employees to create their own bespoke reward package that matches their personal requirements and includes a nursery scheme and access to 14 weeks' maternity pay followed by 25 weeks' statutory pay. Fathers-to-be are also entitled to two weeks' paid leave and for families where both parents work for Santander, they are able to swap the second half of the maternity leave period with their partner, providing increased flexibility. This follows on from the successful 'Passport to Balance' proposition launched in 2009 and helps to further our goal of being an employer of choice.

We continued our sponsorship of the Opportunity Now Gala Awards & Dinner in 2010 which included a Santander Award – Inspiring the Workforce of the Future. And during 2010 we achieved a number of accolades for our work in the Inclusion & Diversity arena, including:

- HR Excellence Awards – Best Workplace Diversity Strategy (Finalist)
- Working Families – Employer of the Year Award (Shortlisted)
- Working Mums – Top Employer for Working Mums (Finalist)
- Women of the Future Awards – Diversity & Inclusion Strategy (Finalist)
- Where Women Want to Work – Top Employer Status

In addition to our focus on gender, we worked with the Employers Forum on Disability in 2010 to improve the way we work with disabled colleagues and to support our staff in managing interactions with disabled customers. We launched an Employee Disability Communication Guide and an Employee Guide to Welcoming Disabled Customers, both of which were distributed directly to staff.



## DEVELOPING OUR PEOPLE

### PERFORMANCE MANAGEMENT

Our Performance Management process is designed to ensure that all employees know what they have to do, how they need to do it, what development and support they will get, and how they will be rewarded and recognised for their achievements. During 2010, a harmonised process was implemented across the UK businesses and line managers received training on our performance management processes.

### SKILLS DEVELOPMENT

With the rebrand of Alliance & Leicester taking place in 2010, the integration of these employees and their learning needs was a focus, to ensure staff were knowledgeable about the new multiple product lines, Santander processes and systems. Over 60,000 hours of distance learning was completed with over 525 hours of face-to-face learning delivered.

As a result of the integration activities many of our induction programme learning 'Academies' have continued to be reviewed and updated to offer a more blended learning approach. The Academies give staff more choice in how, and when, they learn. A total of 272 Academies covering branch roles were provided in 2010 including 13 Mortgage Academies and 22 Client Relationship Manager Academies for Bancassurance staff.

The Risk 'School' portfolio evolved with the development of a career progression scheme for our Collections & Recoveries team which included sponsorship of professional study in order to ensure a highly skilled function which is well equipped to support our customers during these economically challenging times. In total, 98% of staff in the Risk division undertook a Learning course in 2010.

With the continued growth of Corporate Banking, in partnership with the ifs School of Finance, we sponsored 26 Relationship Managers to study for the Diploma in Corporate Banking.

## LEARNING DATA

**124,032**

Total number of training days<sup>1</sup>

**5.16**

Average number of training days per employee<sup>2</sup>

**£390**

Average invested in training per employee<sup>3</sup>

**96%**

Staff who have undertaken some element of learning (all)<sup>4</sup>

**34%**

Staff who have undertaken face-to-face learning<sup>4</sup>

**95%**

Staff who have undertaken e-learning<sup>4</sup>

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

2. Based on total 'delegate days' & average of month-end Santander UK FTE

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

4. All active Santander UK staff at year-end

2010 also saw the launch of the 'Learning Zone' within Business Banking to support relationship managers with the skills and development tools needed to deliver their objectives. This programme won Santander Learning the 'Now is the Time Award' at the National Training Awards. The award acknowledges and celebrates excellent training which has effectively enabled an organisation to combat the effects of the global economic downturn.

Whilst the number of training days has reduced year-on-year, overall the percentage of staff undertaking some learning in 2010 increased to 96%. This change in emphasis is part of our Learning strategy which promotes a more blended approach. Learning solutions are in the form of e-learning, videos, workbooks, podcasts and webinars. This gives staff more choice in how and when they undertake development activities. Feedback from staff is positive and the cost savings have been invested in other learning initiatives such as more interactive technology.

## MANAGEMENT DEVELOPMENT

We have a comprehensive range of development programmes aimed at four different levels of management, each designed in the context of Santander Group's Corporate Managerial Curriculum. The first three levels are a series of blended learning modules supported by a virtual learning environment. 24% of the management population have attended one or more element of this programme since 2008. The fourth level was run by London Business School in 2010 and approximately 50% of senior managers have attended to date. In total, 54% of our senior managers attended executive development programmes hosted by Santander Group in Madrid.

Since launching the development and mobility committees in 2008 for our senior managers and executives, we have reviewed the individual development requirements for all of our executives and 35% of our senior managers to ensure tailored

development support is put in place for them. As a result of the committees, 20% received executive business coaching in 2010, one of the solutions offered to support our top managers, bringing the total to 60% of our leadership population who have received this development. We also introduced an online talent and succession planning tool for our managers. This has been rolled out to 3,000 individuals and gives insight to how we can best support their career development with Santander.

## ATTRACTING NEW TALENT

We recruited 206 graduates for eight business areas in 2010 through accelerated entry roles to fill existing vacancies in our Branch Distribution division as well as a more traditional structured career graduate programme in the other business areas.

We also recruited 27 A level students onto a five year development programme which supports them to achieve the Chartered Banker (degree equivalent) qualification. The recruits joined our Branch Distribution, Telephone Distribution and Manufacturing divisions, based in Belfast, Bradford and Glasgow.

We are committed to continuing to support graduates and as a result, 2011 will see an increase in the number of structured career programmes we offer to this group. We aim to recruit over 100 graduates and increase the number of entrants who have completed their education.



## LISTENING TO OUR EMPLOYEES

### EMPLOYEE OPINION SURVEY

In 2010 our annual Employee Opinion Survey (EOS) achieved an exceptional response rate of 86% – 2% higher than in 2009. The 'Working Together' area has historically had the lowest score – overall 12% below the other main categories - however this showed a 12% improvement on 2009.

Improved results were seen in all other categories too with initiatives such as a helpline pilot for branch staff being well received and subsequently rolled out to all branches, in turn helping to improve customer service. In relation to CSR, 76% of our staff felt supported in their charity activities and 75% recognised the work Santander does to help local communities.

### WORKING IN PARTNERSHIP

Santander, through the former Abbey business, has a long history of trade union recognition governed by a partnership agreement with Advance, the independent trade union. The former Alliance & Leicester business worked closely with its recognised independent trade unions, the Communication Workers Union (CWU) and the Public & Commercial Services Union (PCS). Following a favourable ballot of its members during the year, PCS membership and recognition rights in the former Alliance & Leicester parts of the business transferred to CWU effective from 1 January 2011. Santander now recognises both Advance and CWU and both unions are affiliated to the Trade Union Congress.

We consulted our trade unions throughout 2010 on significant proposals within the business at both national and local levels. We hold regular Joint Consultative and Negotiating Committee meetings to enable collaborative working and ensure that communication is open and two-way.

A joint working group was formed in April 2010 comprising representatives from the Retail division senior management team and Advance with the aim of working collaboratively to address the outcomes of an Advance survey of branch members on working arrangements. As a result a Branch Resourcing Toolkit was launched in October to provide detailed guidance to Branch Managers on resourcing and people management, including scheduling, Saturday working and holiday planning.



## SKILLS DEVELOPMENT

We also worked with Advance and the Involvement and Participation Association (the UK's leading specialists in employee engagement and partnership working) to deliver a skills development programme for all elected Advance Representatives. This involved the development of a Representatives Toolkit and workshops to support representatives in becoming even more effective in their roles. An accreditation event was held at the TUC in November 2010 with Brendan Barber, General Secretary of the TUC presenting representatives with their certificates.

## PEOPLE POLICIES

During 2010 we worked closely with our unions to align the key HR policies from Abbey, Alliance & Leicester and Bradford & Bingley to provide a fair and consistent framework for people management across the integrated business. Consultation took place on proposals to integrate terms and conditions of employment. Agreement was reached with both Advance and CWU on the implementation of a new grading structure and the introduction of new policies which included sickness, discipline and grievance. This was subsequently supported by a comprehensive communication and training programme for our employees and managers.

As part of the integration and rebrand of Alliance & Leicester in November 2010, harmonised branch opening hours were also agreed with the unions and we worked closely with CWU on developing a range of measures to ensure staff were fully prepared for these changes. This included a job swap programme with staff gaining experience in Santander branches.

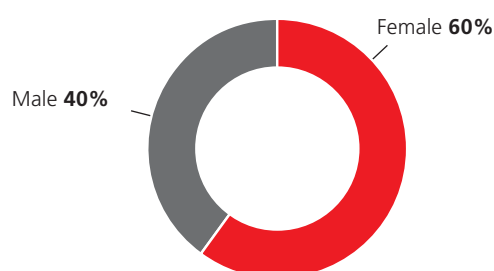
## COMMUNICATIONS

Keeping our staff fully informed and engaged is a key priority for Santander. 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. Other channels include: monthly corporate video programme 'UKTV', an online question and answers site and 'The Village', a website for staff to find and share information, ideas and best practice. Our quarterly magazine 'Ideas' provides news updates from across the business and in-depth articles about the company and its people.

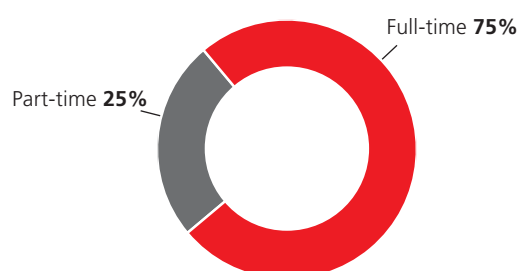
At our annual Convention in February around 2,000 retail and operational managers heard from the executive and senior directors about the priorities for the year ahead and beyond. This is a crucial communications channel, making sure the whole organisation is focused on achieving the same goals. Online briefing materials were available following the event. Corporate messages are also shared through 'Let's Talk', a monthly briefing document that is issued to line managers for them to reinforce key messages in their team meetings.

Employee Data	2010		2009	
Total employees <sup>1</sup>	24,624		24,434	
Total ethnic minority employees <sup>2</sup>	1,913	8%	1,774	7%
Total employees aged over 50	3,198	13%	3,142	13%
Average days absent per employee	7.8		7.2	
Employee turnover (%)	14		12	
Total staff grievances (at final stage)	54		24	
Average length of service for all employees (years)	7.74		8.33	

### Employee gender



### Type of employment



1. Total number of Santander UK and overseas employees, at 31 December 2010, on a full-time equivalent basis. Male/female, full-time/part-time and 50+ breakdowns use an assumption for 159 overseas-based employees, as profile data is not available. All other data does not include the overseas employees.  
2. Based on c. 12,600 employees who complete the self-declaration option on profile monitoring forms.

The increase in the number of final stage grievances during 2010 is largely as a result of all cases being centrally recorded for the first time within the integrated Santander business. Of the 54 Grievance Appeals received, 22 were from employees formerly employed by Alliance & Leicester or Bradford and Bingley, which were not centrally recorded previously. Our commitment to bring together all of our employees into one bank has inevitably involved a degree of change and we have therefore also seen some increase in concerns related to working arrangements and relationships during this time. We are working closely with our employees and recognised unions to minimise similar concerns during 2011, wherever possible. In addition a new aligned Grievance Policy was launched in 2010 which focuses on informal resolution and the use of mediation, and is supported by a range of HR initiatives to help managers manage workplace concerns more effectively.

During 2011 we are committed to taking a proactive approach to resolving employee concerns as early and informally as possible, and to understanding any common themes which we need to address.

## HEALTH, SAFETY AND WELLBEING

We believe that healthy employees working in a safe environment enhance our business and making sure this happens is good business practice and a positive investment.

Our internal Health and Safety Consultants carry out planned audits to make sure managers have implemented our policies and the business is meeting its legal obligations. From Q2 2010 we commenced a rolling, quarterly audit programme of approximately 20% of the branch network per year.

### ACCIDENT STATISTICS

Accidents are reported online and are divided into three categories determined by severity of injury using HSE criteria. The categories are: accidents resulting in up to three days absence (minor injuries), accidents resulting in over three days absence and accidents that have resulted in major injuries. Total accidents for the year were 259. Of those, 246 were minor, 2 over 3 days and 11 major.

We regularly provide staff with information and advice about accident prevention, in particular about preventing slips, trips and falls, the most common cause of accidents in our workplaces.





## SUPPORTING WELLBEING

In 2010 we held two Health and Lifestyle Events for staff; one in Leicester in April and the other in Bootle in November. These featured stages for demonstrations and performances, stands offering information, advice and on-the-spot massages. The events are an effective way to improve employee awareness of healthy lifestyles and demonstrate Santander's commitment to health and wellbeing.

We maintain three fully equipped gyms in our head office sites managed by an out-sourced contractor. They are a valued benefit for our staff and gym membership regularly approaches the maximum capacity of 800 throughout the year. This has allowed us to continue to make substantial investments and all three gyms now have modern, state-of-the-art equipment.

To make sure staff have regular information on key health issues we produced quarterly "Health and Lifestyle Updates" throughout 2010 covering a broad range of issues regarding safety, health, wellbeing and lifestyle.

## EMPLOYEE ASSISTANCE PROGRAMME

We provide staff, and immediate members of their family, with access to an Employee Assistance Programme provided by Personal Performance Consultants Ltd. This includes a free, confidential telephone helpline available 24/7. Staff can also access face-to-face counselling in appropriate cases. In 2010, the helpline received 2,382 calls and 148 people were referred for counselling.

At the end of 2010 we completed a review of the market and selected a new provider, 'Care first', who will take over provision from February 2011.



## PLANS FOR 2011

The alignment of HR policies and practices will continue during 2011 and preparations are underway for the impending integration of the new employees joining us from RBS. Communicating with these staff is a key priority during 2011.

In addition, significant changes in employee legislation are currently taking place, such as the introduction of additional paternity leave and the removal of the compulsory retirement age which will see us reviewing our practices in these areas to ensure we are fully compliant with the new requirements.

Our aim is to establish a workplace that makes us an employer of choice in the UK.

# COMMUNITIES

## INVESTING IN COMMUNITIES

Our community involvement strategy is based on the Group's CSR priority of supporting education. With the increased budget for CSR in 2010 we were able to grow our investment in the education sector and support for charities involved in education initiatives with disadvantaged people.

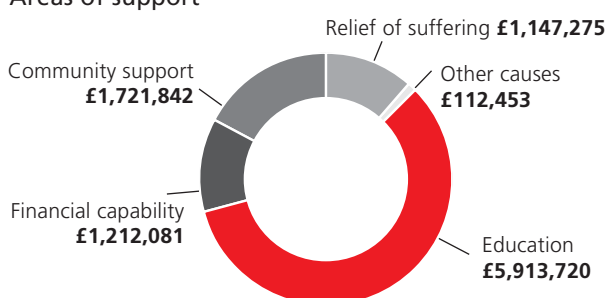
Our flagship CSR programme, Santander Universities provided £3 million to higher education, through the Santander Foundation we supported hundreds of small local charities with grants for education projects and we launched a new Santander Education Fund to partner with national charities working in this space.


## VALUING OUR CONTRIBUTION

The total value of the support provided by Santander to the community in 2010 was £10 million, 94% of which was in cash donations. This was an increase of 68% compared to 2009 and brings our community contribution to a more appropriate level for the size and scale of the bank in the UK.

### Community Investment Data

#### Areas of support



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

## CORPORATE GIVING

In 2010 we re-named the Abbey Charitable Trust to the Santander Foundation, as part of the re-brand activities. The Foundation has two priorities to help disadvantaged people - financial capability and education & training. To celebrate the name change, maximum grant levels were raised from £4,000 to £10,000 and recognising the need for funding of staff and sessional worker costs, the grants programme was expanded to include revenue funding.

## WORKING IN PARTNERSHIP WITH COMMUNITIES

In each of the areas where Santander has a significant presence we have Community Partnership Groups (CPGs) which make decisions on where our grants are awarded in these locations. Between them the nine CPGs made 112 donations totaling over £1.3 million.

### Santander Foundation Data

How we gave	2010	2009
Matching staff fundraising	£1,590,979	£1,025,634
Community Partnership Groups	£1,322,592	£1,119,119
Local branch donations	£1,169,830	£1,136,842
Number of donations	1,886	1,573

## MEASURING SUCCESS

Each year the Santander Foundation invites charities to report back on the difference made by our donations in the previous year. Charities are invited to score the grant's impact from 0 for no benefit up to 4 for exceptional, long-lasting benefits. We received 192 replies from the 253 surveys sent out in 2010 which showed:

- 10% acceptable benefits
- 58% significant, long-lasting benefits
- 32% exceptional, long-lasting benefits

The charities reported gaining a further £2 million of extra resources as a result of our funding which represents 131% of added value leveraged from our donations. The comments from the surveys emphasise the importance of this:

"Santander Foundation was the first funder to offer a grant for this project. The donation has enabled us to obtain funding from other sources and work in collaboration with other debt advice organisations that." Foxhill & Parsons Cross Advice Service

## COMMUNITY CHEST

To celebrate the re-brand in January we launched 'Community Chest', a branch scheme to donate £250,000 to local charities around the UK.

Branch employees were given the opportunity to nominate three local charities and customers were invited to vote for the cause they wished to see benefit from a Community Chest donation. The scheme proved very popular with more than 135,000 votes received from customers during the six weeks the scheme was open. Over 400 separate causes received a donation as a result, including hospices, schools and children's charities.

## SOCIAL SPONSORSHIP

We provide sponsorship to a small number of charities every year. In 2010 local sponsorships, supporting communities close to some of our main offices, included The Zoological Society of London's Whipsnade Zoo Stampede in Bedfordshire and the Spark Children's Art Festival 'At Your School' programme in Leicestershire.

We also provided sponsorship to national charities, supporting Breast Cancer Campaign's Pedal It Pink events, Action for Children's Art Bank project, Shelter's Cake Time campaign and the Whizz Kidz London Marathon team.

## SUPPORTING STAFF

The staff Matched Donation scheme grew by 55% to a new record level of £1.5 million in 2010 reflecting the growing popularity of fundraising at Santander. The 1,568 donations ranged from small local charities such as parent teacher associations to large national charities such as Macmillan Cancer Support.

Our Charity of the Year in 2010 was Cancer Research UK, voted for by staff. As part of the partnership we organised our first overseas fundraising and volunteering initiative which saw 37 staff spend 10 days working in a community in São Domingos, Brazil. The team raised over £180,000 and completed two schoolrooms for the village. In total, we raised over £450,000 for the charity which helped to fund a mobile cancer awareness unit and run their palliative care helpline for a year.

## SPORTING HEROES

We also aim to support our employees in their sporting achievements outside the office environment through the Sporting Heroes scheme. This features a Hall of Fame for employees who are involved in competitive sports, which tracks their progress and showcases their efforts and successes. Those who are competing at international level and representing their country in their specialist field are invited to join the Sporting Heroes Elite, where they are awarded £1,000 in sponsorship to assist with their equipment and training costs. In 2010 five employees were recognised in this way.

Through the Grassroots scheme staff can also nominate local community sports clubs and groups to receive free training equipment and training kit. In 2010 we donated sets to 126 sports groups, a 157% increase on 2009.

## TIME FOR THE COMMUNITY

2010 was another successful year for our community employee engagement programmes and we saw an increase of 12% in the number of staff participating in volunteering schemes.

We introduced a new finance education programme called 'Santander in Schools' aimed at informing secondary school pupils about finance and managing money. The scheme features three units: Spending and Saving, The Role of Banks and Earning which provide staff with ready-to-use materials to run workshops, complete with presentation slides and interactive games, for Year 10 children. We trialled the initiative with three schools in the year before launching the scheme in September.

Our staff volunteered with a range of educational initiatives, such as a school Stock Market Challenge in Belfast, an Entrepreneur Day in Leeds, Number Partners in Leicester and Interview Skills Days in Milton Keynes. A new volunteering database was launched in 2010 providing one-off and ongoing volunteering opportunities for staff in our key sites.

## COMMUNITY DAYS

Our most popular volunteering initiative is Community Days, a scheme which encourages teams to support local charities and community groups through one-day practical projects.

In 2010 over 1,100 employees took part, dedicating 9,000 hours to 88 projects in ten regions around the country. The scheme encouraged teams to support their local communities and develop lasting relationships. Team leader Stephen Harrey from Santander Corporate Banking organised a project with Acorn Hospice in Birmingham: "We had a great day and are looking to make an ongoing commitment to the charity, to visit twice a year and undertake further projects for them."

Volunteering Data	2010	2009
Total number of volunteers	1,297	1,142
Value of volunteering time	£99,840	£87,000
Community Days projects	88	62

## STAFF RECOGNITION

Many of our employees give their own time to support their favourite charities and each year we recognise individuals who make a significant contribution either through volunteering or fundraising. In 2010 eight employees received the Santander Community Award. Each winner received a £1,000 donation to a charity of their choice as well as an award at a recognition event.

One example of the tremendous work these individuals do was Gemma Quine, who volunteered to be the Cancer Research UK champion in our Bootle office. She organised a whole range of events including 'Boss in a Box', Race for Life, and office-wide raffles. Her dedication and commitment meant £32,000 was raised in the Liverpool region.





# UNIVERSITIES

2010 saw the growth of the Santander Universities division in the UK with a further ten universities joining the network during the year.

These new agreements brought the total number of university partners in the UK to 45. Worldwide the network reached 938 members.

## 300 NEW SCHOLARSHIPS

Vice-Chancellors from 22 of the most renowned UK universities attended a launch event to announce 300 new scholarships for UK universities at the start of the year. These scholarships support the international mobility of students between universities, and along with the existing scholarships meant that Santander committed funding for 1,213 scholarships in the UK in 2010. Included in the announcement were 100 'Formula Student' scholarships, dedicated to celebrating Santander's involvement in Formula 1.

## STUDENTS AND FORMULA 1

Formula Student teams from the University of Newcastle, the University of Bath and Oxford Brookes University spent a day at the Silverstone track, organised by Santander Universities. They were given the opportunity to walk the pit lane, watch the Formula 1 cars in their practice sessions and experience the atmosphere at a professional Formula 1 event. Forty Student Union Presidents also had the opportunity to meet the Chairman of the Santander Group, Emilio Botín, as guests of Santander at the British Grand Prix. The Chairman confirmed the commitment of the bank to the higher education sector in the UK in a speech to guests at the event.

## LEWIS HAMILTON VISIT

30 students from universities within the Santander Universities network in the UK had the opportunity to meet and chat with Formula 1 champion Lewis Hamilton when he visited our Milton Keynes office in November. The Vodafone McLaren Mercedes driver attended a Q&A session with the students, all of whom had a keen interest in motor sports. During the meeting Lewis answered questions about his experience in the Grand Prix circuit, his passion for cars and his challenges for the coming 2011 season.

At the end of the visit Luis Juste, Director Santander Universities UK presented Lewis with a coffee table book published by Santander in 2010, 'The University: An illustrated history' to commemorate the event.

## New university partners





**565**

scholarships for international students to study in the UK

**480**

mobility awards for UK students to study abroad

**45**

entrepreneurship awards

**194**

special projects, including support for business incubators and international symposiums

**£3,218,000**

of funding to higher education institutions

### TIMES HIGHER EDUCATION AWARDS

In November the prestigious Times Higher Education Awards gala dinner took place in London, this year sponsored by Santander Universities. The event has been awarding achievements in the sector since 2004 and this year 18 sought-after accolades were received by as many UK universities. Presented by journalist and former politician Michael Portillo, the gala was attended by heads of the leading universities in the UK. Lord Burns, Chairman of Santander UK, announced the Santander Universities University of the Year 2010 Award which went to the University of York.

### INAUGURAL KEY STAKEHOLDERS MEETING

The first meeting with key contacts from our network of partner Universities in the UK was convened in 2010. The event took place at our London head office and was also attended by managers from our university branches. The meeting offered the universities the opportunity to review the benefits of the partnerships with Santander and share new ideas on how to strengthen the relationship. Some of the most important UK universities were represented at the meeting and Santander Universities took the opportunity to present their plans for 2011 to the attendees. A key announcement was the commitment of the Group to providing £500 million of funding over the next five years to the higher education sector. This funding will be focused on supporting the development of the internationalisation of universities, entrepreneurship and transfer of knowledge.



### SANTANDER UNIVERSITIES GLOBAL

The Santander Universities network was established in 1996 to support higher education in order to contribute to the development and welfare of society. Through the programme Santander provides scholarships, mobility awards for students and research staff to continue their studies or research overseas, and funding for entrepreneurship activities.

#### 2010 Global Support

- 938 collaboration agreements with universities in 13 countries (Spain, Portugal, UK, Brazil, Mexico, Chile, Argentina, Colombia, Puerto Rico, Uruguay, China, USA and Russia)
- 4,149 academic, financial and technological collaboration projects funded
- 4.6 million Santander 'Smart Cards' in 201 universities
- 14,293 scholarships and grants, of which
- 11,232 are mobility grants
- €100 million of funding to higher education institutions



# ENVIRONMENT

## ENVIRONMENTAL RESPONSIBILITY

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

### ENVIRONMENTAL GOVERNANCE

Our Environmental Management System (EMS) provides a framework for defining responsibilities and processes. In 2010 we formed a new Environmental Strategy Group and engaged NIFES, a leading UK energy consultancy to review our EMS. A gap analysis of our environmental management systems was undertaken and from this review we have set out clear objectives in relation to waste, energy use, water, travel and supply chain. As part of this work we reviewed and updated our Environment Policy. The new EMS is in the process of being implemented at our head office in London with a view to achieving ISO14001 during 2011.

### CARBON REDUCTION COMMITMENT ENERGY EFFICIENCY SCHEME

Santander UK is one of the companies that falls within the government's Carbon Reduction Commitment (CRC) scheme. The system is the UK's mandatory climate change and energy saving scheme which commenced in April 2010. It is central to the UK's strategy for improving energy efficiency and reducing carbon dioxide emissions, and is part of the Climate Change Act 2008.

Following the Coalition Government's consultation at the end of 2010, the proposed 'cap and trade' mechanism of financially offsetting emissions was put on hold, provisionally until 2013/14. This now means that the first two years of the scheme - April 2010 to March 2012 - will be reporting years only with the first league tables due to be published in October 2011.

Throughout the year we continued to work with Incenco, our specialist consultants, to implement the systems necessary to meet the CRC requirements. They created a database for our UK operations and we commenced data collection from April 2010. The 'consumption year' ends on 31 March 2011 and the first annual report will be submitted in July 2011.

### CARBON TRUST STANDARD

We were awarded the Carbon Trust Standard in 2010, the UK's leading environmental award. The award recognised our reduction in carbon emissions over the last three years as well as our commitment to reduce emissions in the future.

Some of the projects that enabled us to achieve the Carbon Trust Standard included:

- Upgrading lighting in head office buildings to automatic sensors which turn off when there is no activity
- Turning down air conditioning by two degrees
- Installing the latest energy reducing technology for our external signage in the branch network.



### CARBON OFFSETTING

Following on from our positive achievements in reducing our carbon emissions, we worked with The CarbonNeutral Company, the leading provider of carbon reduction solutions, to assess and offset the carbon emissions for our head office building in London, Triton Square.

The carbon emissions - 9,520 tCO<sub>2</sub> per year - have been offset by the contribution of carbon finance to a project in Brazil that is helping to reduce energy and CO<sub>2</sub>. The project is working with a group of small businesses - ceramic factories - through changing the type of fuel they use for their kilns. The factories were previously using 4million litres of oil a year to produce their ceramic products. Our three-year commitment (2010-12) totalling £260,000 will enable them to finance the switch from using the environmentally unfriendly oil to renewable energy sources such as sawdust and sustainable wood.

### ENERGY

In 2010 our facilities team continued to focus on energy efficiency with further investment in heating, ventilation and air conditioning (HVAC), new lighting and the installation of Automatic Meter Readers and Gas Loggers. These measures, despite adverse weather conditions during 2010, achieved a reduction in energy consumption.

## ENERGY

	2010	2009
Electricity (MWh)	189,764	191,816
Gas (MWh)	48,455	49,051
Total energy use by buildings (MWh)	238,219	240,867
Oil (Litres)	42,820	13,780

## EMISSIONS

CO <sub>2</sub> FROM ENERGY USE (TONNES)	2010	2009
Electrical Green	Exempt	Exempt
Electrical Brown	99,483	100,690
Gas	9,982	10,105
Oil	113	36
CO <sub>2</sub> released	109,577	110,832
CO <sub>2</sub> released per FTE	4.45	4.53

Energy data is provided for all branches and head office sites based on supplier actual and estimated billing, with some of the final month's data being estimated by the bureau operations. The estimated bills profiles are based the most recently available billed trend data for gas and electricity taking into account a seasonal profiles. Some of our properties do not report electricity use directly, as it is included within the landlord's service charge and not paid direct by Santander. 2009 figures re-stated to reflect actual readings rather than estimated figures.

Figures for carbon dioxide released from energy use cover almost all of our commercial property portfolio in the UK, accounting for the majority of our employees. Conversion Factors based on October 2010 DEFRA / DECC's Green House Gas Company Reporting Document. 2009 CO<sub>2</sub> emissions data has been re-stated using 2010 conversion factors.

## HVAC & LIGHTING

During the year 143 branches were fitted with new HVAC systems with energy efficient controls and 107 branches had new energy efficient lighting schemes and controls installed.

A 're-lamp' programme which replaced inefficient lamps with new energy efficient versions across the branch network and in Triton Square continued in 2010. This program will be reviewed every three years to ensure the most efficient lamps are installed and continue to help to further reduce energy consumption.

## AUTOMATIC METER READERS (AMRS) & GAS LOGGERS

We commenced installation of AMRs and Gas Loggers in 2010 and the programme is due to be completed by mid 2011. These electricity and gas measurement devices will provide accurate monthly billing replacing an estimated readings process. This means we can more effectively measure and manage the energy consumption of our buildings on a monthly basis.

## BIOMASS ENERGY

From 2011 we will move to a biomass energy supply from Haven Power for our Head Office estate. Biomass is fuel or energy derived from plant material, vegetation, or agricultural waste and based on this year's consumption will mean 60% of our energy for 2011 will be supplied from this source.

## OIL

We saw an increase in the oil consumption during the year, mainly due to a change in gas supply at our Bootle office during a period of severe weather. The gas supply contract for this building allowed the boiler supply to be interrupted and switched to the onsite oil reserve. To prevent a recurrence, the contract has now been changed and consolidated within the Santander UK Gas agreement.

## OFFICE EQUIPMENT

A review of printers, fax machines and scanning devices in the year highlighted the need to standardise and improve our office equipment. As a result, more than 2,000 redundant items were removed and 550 Multi Functional Devices (MFDs) were installed throughout our offices. The MFDs are equipped with fully recyclable toner units and automatic energy saving and overnight sleep modes and achieve an energy consumption saving.

## WATER

In 2010 water usage decreased by 14%, however, this reduction is partly due to particularly high water usage in 2009, due to two incidents of main supplies bursts that year.

	2010	2009
Water (m <sup>3</sup> )	324,531	376,284



## Travel Data

	2010		2009	
	Business travel (km)	CO <sub>2</sub> from business travel (tonnes)	Business travel (km)	CO <sub>2</sub> from business travel (tonnes)
Air travel – domestic	7,100,571	1,327	6,885,405	1,287
Air travel – short haul Europe	5,899,907	624	5,794,018	613
Air travel – long haul International	4,049,538	500	2,620,291	323
Car	35,192,296	7,561	32,194,717	6,917
Rail	24,005,539	1,282	13,349,667	713
<b>Total</b>	<b>76,247,851</b>	<b>11,294</b>	<b>60,844,097</b>	<b>9,853</b>
<b>Total CO<sub>2</sub> released per FTE</b>		<b>0.46</b>		<b>0.40</b>

## WASTE AND RECYCLING

The amount of waste produced at Santander reduced by 3% in 2010, however there had been a 39% increase in 2009 which we put down to rebranding activities.

The amount we recycled increased by 11% in the year. This improvement has mainly been achieved by the installation of new recycling bins across our offices, standardising and simplifying our recycling processes. The new single mixed recycling waste bin replaced the multi bin system and is able to take different types of recyclable waste, making it easier for staff to recycle. The waste is sorted off-site by our specialist recycling contractors, Veolia, reducing the amount of waste we send to landfill. In addition, thanks to improved staff awareness and a stricter confidential waste process, 100% of the white paper and most cardboard are sent to a complete recycling facility.

In 2011 new recycling posters, designed in response to feedback received from staff, will be displayed throughout our offices to clarify our recycling processes and motivate staff to adopt best practices.

Waste (tonnes)	2010	2009
Waste Collected	10,871	10,852
Waste Recycled	7,621	6,457
% Recycled	70%	59%

## PAPER USAGE

We saw a 26% decrease in paper usage in 2010, however 2009 had seen a significant increase in paper, due to the preparation of stationery and literature for the re-brand of Abbey and Bradford & Bingley to Santander. This significant reduction was also the result of active steps taken to reduce the volume of paper used across our business, including:

- A review of paper weight for branch customer literature reduced the weight of paper stocks used across many printed items.
- Further rationalisation of paper stock was completed, resulting in just four principle grades and fewer than 20 brands of paper.

Our print vendors have ISO14001 certification and we maintain full FSC chain of custody with PAS2020 credentials for energy and water usage.

	2010	2009
<b>Paper (Kg)</b>	<b>5,621,016</b>	<b>7,599,257</b>

Paper includes all head office photocopying, stationery supplies and customer marketing literature.

## BUSINESS TRAVEL

There was an increase in all types of travel during the year, with the most noticeable increases occurring in rail and long haul air journeys. The increase in rail journeys reflects the changes in our national business travel profile as a result of further business integration with travel more frequently required between our new key sites in the UK. Long haul international flights to South America have increased and following the Sovereign Bank acquisition by the Santander Group, there has been an increase in air travel to North America. However, 31% of all travel in 2010 was by rail compared to 22% last year.

Use of video conferencing continued to be encouraged to minimise business travel and in 2010 over 1,850 meetings totalling 2,600 hours, were held using video conferencing facilities. We invested significantly in new Telepresence equipment in the year to improve the user experience for staff.

## EMPLOYEE ENGAGEMENT

We recognise that the key to an environmentally sound business is the positive contribution made by our employees. In 2010 our facilities unit, Santander Global Facilities (SGF), launched a new 'Go Green' campaign designed to inform staff about the impact our business has on the environment and to motivate them to adopt best practice.

To launch the campaign a Go Green Roadshow visited eight of our largest offices around the UK. This live experience, which was a carbon neutral event, was created to help staff understand the effects of climate change and the ways they can help to reduce waste and energy consumption.

The Roadshows attracted over 2,000 members of staff who visited the Energy, Recycling and EcoTravel zones and took part in environmentally themed games and competitions. These included testing their fuel efficiency on a driving simulator and lighting bulbs by pedalling energy generator bikes.

Our facilities suppliers also supported the roadshows, including our on-site caterers Eurest who highlighted their local sourcing policy with food producers attending the events to promote their local products.







## ENVIRONMENT CHAMPIONS

As part of the Go Green campaign, we developed a new environment champion's scheme, the Green Club. During Q4 2010, we promoted the Green Club at the Roadshows in order to identify staff interested in helping to support the Go Green campaign in their location. Volunteers will have the opportunity to help to shape our campaigns and deliver environment news and messages to their teams and local business areas. The Club is due to be launched in 2011 and will be an important tool in raising awareness of environmental issues and delivering behavioural change in our offices and branches.

### PLANS FOR 2011

In 2011 our focus will be on meeting the requirements of the Carbon Reduction Commitment. We will invest further in new energy efficient equipment and we will be launching an Energy Strategy Team, to help us manage the energy requirements of major capital expenditure items more effectively, in particular data centre equipment. This will help us to work towards the Santander Group target of a 7.5% reduction in carbon emissions by 2013.

The Go Green campaign will continue throughout 2011 with a series of campaigns themed around Energy, Recycling and Travel and will be supported by the launch of a new intranet site, dedicated to environmental news and information.

## RESPONSIBLE CATERING

Eurest provides catering services across our head office estate. The Eurest Sustainable Sourcing Strategy includes full traceability of products to ensure that sustainable, ethical and safety standards are achieved. The company supports British sourcing, working with farmers and growers to use local and regional produce, and Fairtrade farmers and their communities, selling the products in our restaurants and promoting Fairtrade Fortnight at Santander's sites.

Used cooking oil is recycled with the oil being processed to provide a fuel that can power vehicles in Eurest's supply chain. Last year 99% of the kitchen oil used for catering at Santander was recycled.

### Sourcing Strategy Stats

- 100% of milk is from the UK, from 82 individual farms or co-operatives
- 100% of eggs are from the UK
- Over 95% of root vegetables are from the UK
- All fresh beef used is 100% British

### Vending

The Autobar vending machines provided in our head office buildings support Fairtrade and Rainforest Alliance through hot beverage sales. Thirsty Planet water sold from the machines raises money to bring clean water to people in sub Saharan Africa. Thirsty Planet is working exclusively with Pump Aid, a UK charity that delivers sustainable and cost effective solutions to provide clean water to impoverished communities. In 2010 we funded four water pumps from sales of the water at our sites.



# SUPPLIERS

In 2010 we spent over £1.9 billion with 2,600 suppliers and intra-group companies, to purchase the goods and services we need to run the business.

Key areas of spend were:



## 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 our outsourced service provider Aquanima to source

Business managers are not allowed to undertake sourcing activity unless they have the approval of the director whose remit includes cost management and procurement.

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 managers sign-off 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.

## CSR AND OUR SUPPLIERS

We check that our suppliers act in an ethical and responsible way. The process for supplier selection and authorisation and the process for checking the ongoing suitability of existing suppliers both 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 adhere to our CSR Protocol, where relevant. The protocol is based on the UN Global Compact principles and covers human rights, labour standards, environment and anti-corruption. The Santander Group is a signatory to the Global Compact.

## SUPPLIER PAYMENT

During 2010 we moved to the Santander Group Purchasing Model and reorganised our procurement operations, involving significant changes to the way we worked and enabling us to pay suppliers faster than we used to. Independent figures (from Experian) show a very significant improvement in payment performance during 2010, from 66 days beyond the industry average in December 2009 to just nine days beyond the average by December 2010.

## PLANS FOR 2011

The 2011 plan is to build on the process changes introduced in 2010 to improve the treatment of our suppliers, with a target of matching the industry average for payments to terms and following a clear and consistent ordering process.

In the light of the forthcoming Bribery Act we will be reviewing our processes in 2011 to ensure we are taking all practical steps to minimise the chances of bribery causing problems such as unfair supplier selection. We believe that our consistent approach puts us in a good position with respect to the requirements of the Act.



## 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)

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# CSR INDICATORS

## GRI Content Index

### 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	2	
2.2 Primary brands, products and/or services	5	
2.3 Operational structure of the organisation	5	
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	5	
2.7 Markets served	5	
2.8 Scale of reporting organisation	5	
2.9 Significant changes during the reporting period	6	
2.10 Awards received in the reporting period	11,17	
<b>3. Report Parameters</b>		
3.1 Reporting period	2	
3.2 Date of most recent previous report	2	
3.3 Reporting cycle	2	
3.4 Contact point for questions regarding the report	31	
3.5 Process for defining report content	8	
3.6 Boundary of the report	2	
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	32-33	
3.13 Policy and practice with regard to external assurance	34	
<b>4. Governance, Commitments and Engagement</b>		
4.1 Governance structure of the organisation	5	
4.2 Indicate whether the Chair is also an executive officer	5	
4.3 State the numbers of independent and/or non-executive directors	5	
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	13,19,22,25	Customers, employees, universities and communities
4.15 Basis for identification and selection of stakeholders	8	Based on Business in the Community programme areas.
4.16 Approaches to stakeholder engagement	8	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	7	
EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change	26	
EC3 Coverage of the organisation's defined benefit plan obligations	AR	
EC4 Significant financial assistance received from government	-	None received in 2010
EC8 Development and impact of infrastructure investments and services for public benefit	14-15, 24	



**STANDARD DISCLOSURES: PERFORMANCE INDICATORS** continued

GRI indicator	Page Ref / Resource	Notes
<b>Environmental</b>		
<b>Materials</b>		
EN1 Materials used by weight or volume	28	
<b>Energy</b>		
EN3 Direct energy consumption by primary energy source	27	
EN5 Energy saved due to conservation and energy efficiency improvements	27	
EN6 Initiatives to provide energy-efficient or renewable energy-based products and services	27	
<b>Water</b>		
EN8 Total water withdrawal by source	27	Water source: mains
<b>Emissions, effluents and waste</b>		
EN16 Total direct and indirect greenhouse gas emissions by weight	27	
EN17 Other relevant indirect greenhouse gas emissions by weight	28	
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved	27	
EN22 Total weight of waste by type and disposal method	27	
EN26 Initiatives to mitigate environmental impacts of products and services	28	
<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 in 2010
<b>Transport</b>		
EN29 Significant environmental impacts of transporting members of the workforce	28	
<b>Social: Labour practices</b>		
<b>Employment</b>		
LA1 Total workforce by employment type, contact and region	20	
LA2 Total number and rate of employee turnover by age group, gender and religion	20	
<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	20	
<b>Training and education</b>		
LA10 Average hours of training per year per employee by category	18	
LA11 Programs for skills management and lifelong learning that support the continued employability of employees	17	
LA12 Percentage of employees receiving regular performance and career development reviews	18	
<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	20	
<b>Social: Society</b>		
<b>Community</b>		
SO1 Percentage of operations with implemented local community engagement, impact assessments and development programme	22	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	AR	No political payments made in 2010
<b>Social: Product responsibility</b>		
<b>Product and service labelling</b>		
PR3 Type of product and service information required by procedures	10	
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	13	

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 CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2010**

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

SGS United Kingdom Ltd was commissioned by Santander UK to conduct an independent assurance of the Corporate Social Responsibility (CSR) Report 2010. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and 2010 data in accompanying tables, contained in this report.

The information in the CSR Report 2010 of Santander UK and its presentation are the responsibility of the directors and the management of Santander UK. SGS United Kingdom Ltd has not been involved in the preparation of any of the material included in the Santander CSR Report 2010.

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'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 (2006).

The assurance comprised a combination of pre-assurance research, interviews with relevant employees at the Head Office in London and Milton Keynes; documentation and record review and validation with external bodies and/or stakeholders where relevant, such as 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, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with IEMA (Environmental Auditor) and IRCA (Certified Sustainability Assurance Practitioners).

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

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within the CSR Report 2010 verified is accurate, reliable and provides a fair and balanced representation of Santander UK's sustainability activities in 2010.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation'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 (2006) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

In our opinion, the Santander CSR Report 2010 meets the content and quality requirements of the Global Reporting Initiative G3 Version 3.0 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:

- detailed information regarding stakeholder mapping engagement and feedback
- reporting on both favourable and unfavourable aspects of performance
- establishing and reporting against goals and targets
- reporting on organisational risks
- linking the various stakeholder groups to material issues relevant to each group

**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 has reported on some GRI additional indicators, which are not required for level C reporting, but are an indication of good practice.

It is recommended that Santander UK consider reporting at application level B+ for their CSR 2011 report.

**Signed:**

**For and on behalf of SGS United Kingdom Ltd**



**Jan Saunders**  
**UK Systems and Services Certification Business Manager**  
**May 2011**

**WWW.SGS.COM**

