
Corporate Social Responsibility Report 2011



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This is Santander UK plc's 12th annual Corporate Social Responsibility (CSR) Report. It covers activities relating to Santander's operations in the UK for the period January to December 2011 and takes into account developments at the beginning of 2012 where they have a bearing on the content of the report.



Introduction



Lord Burns
Chairman

As a significant bank in the UK our core business helps hundreds of thousands of people every day through our branches, call centres and banking centres to manage their money, buy a home or finance their business. In 2011, our lending to SMEs increased to £10.7bn and our mortgage lending was £23.7bn. Our employee numbers remained stable; we employ over 26,000 people, and we contributed £358m in taxes to the UK government.

We recognise we have a responsibility to make a positive contribution to society over and above our day-to-day business and in 2011, the second year in our CSR three year plan, our commitment to increase our CSR investment was met with an increase of almost 40%.

Our focus, based on the Santander Group's CSR priority, is on supporting education, to assist communities around the UK. Through Santander Universities our funding helped over 500 students with awards to study overseas, and a further 700 international students with scholarships to come and study here. Through the Santander Foundation we provided donations to 330 charities supporting disadvantaged people, continuing to assist the third sector in a time of funding cuts.

The impact of the recession is seeing other areas of society affected and we're committed to playing a role in helping to address two key issues: supporting small businesses and youth unemployment.

In 2011 we launched a new programme for SMEs, Santander Breakthrough. This will see us provide funding to growing SMEs through a £200m capital growth fund to help around 200 businesses realise their potential. SMEs are the backbone of the UK economy, representing 99.9% of all businesses, so by supporting those with the potential to grow we can, in turn, help drive local economic regeneration.

Our commitment to young people, and addressing the issue of rising unemployment among 16-24s, increased in 2011. Our new Early in Career initiative supports school leavers in accessing qualifications through a structured development programme, provides roles for graduates and internship positions. We also signed up to the government's Business Compact, committing us to proactively supporting people from all areas of society in joining our workforce.

Of course, there are areas of our business where we have our own challenges to overcome, particularly with regards to customer service. We made a significant investment in 2011 to improve our performance and we're pleased to see signs that our actions are having an impact. Customer service remains a strategic priority for us and the Board is committed to taking the steps necessary to transform Santander into a customer-focused business.

We saw progress in other key areas too during the year. Our approach to employee diversity was given a boost with the inclusion of Santander in the Top 50 Employers for Women list. Advances in our environmental management saw our London head office achieve ISO14001 and we will be rolling out the system to our other major offices around the UK.

2011 was a challenging year in the UK, for the general public and for businesses. Throughout the year we were an active lender to our customers and a proactive funder in local communities. We are committed to sustaining this in the year ahead, ensuring we make a positive contribution to the UK economy and to society.

Company profile

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

GOVERNANCE STRUCTURE

Santander UK plc is a subsidiary of Banco Santander, S.A. As at 31 December 2011, the Santander UK Board is comprised of a Chairman, three 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 four committees: Board Audit Committee, Board Risk Committee, Nomination Committee and Remuneration Oversight Committee.

Business Divisions

- Retail Banking – offers residential mortgages, savings and 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 (SME) companies and mid and large corporate clients.
- Markets - provides financial markets sales, trading and risk management services.
- Group Infrastructure - includes asset & liability management which is responsible for capital and funding, investor relations and economics.

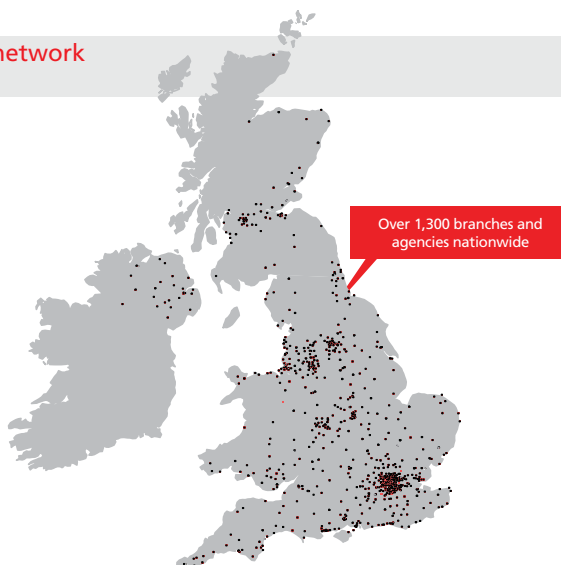
Support Divisions

- Retail Products and Marketing – responsible for integrating and gaining the maximum value from Santander'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 the Board has 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 Management Information, Financial Reporting and Tax, Cost Management & Control
- Legal and Secretariat
- Strategy and Corporate Development
- Regulatory Affairs and Pensions
- Service Quality
- Communications
- Santander Universities

Branch network



Business centres



Business update

Our goal is to develop Santander UK into a full service, diversified, customer-centred bank. Our three year strategic plan is focused on the commercial turnaround of the business, and our transformation into a market-leading retail and corporate bank, based on three principles:

- ➔ shifting to a customer focus from a product focus
 - ➔ diversifying to a more balanced business mix, particularly growth of SME and Corporate banking
 - ➔ best-in-class operating efficiency hand-in-hand with excellent customer experience.
-

Financial highlights

In 2011, we maintained our solid track record, despite a fragile economic recovery as well as a challenging regulatory and market environment. Statutory profit after tax was £903m (2010: £1,583m).

In common with other UK banks, a provision for PPI remediation was made, which was the most significant driver of the 43% reduction in statutory profit compared to 2010. Excluding this, trading profit before tax for 2011 was 4% lower than 2010, impacted by greater regulatory costs including liquidity requirements, the impact of higher funding costs as well as persistently low interest rates.

Business performance

Despite weaker demand in key markets, increased competitive pressures and a fragile economic outlook, we achieved good levels of new business in both SME and mortgage lending in 2011. SME lending balances were £2.1bn higher than at the end of 2010 at £10.7bn, whilst mortgage gross lending was £23.7bn in 2011.

Risk management and affordability measures are an important part of our lending decisions, demonstrated by our ongoing low levels of mortgage arrears relative to the market.

Retail customer loyalty is being rewarded through a range of special deals and incentives and was supported by the launch of new products and campaigns during the year. We continued to offer a mix of best-buy products and special offers targeted at existing customers and rewarded our customers for doing more business with us.

The organic growth of Corporate Banking continued through 2011, supported by the opening of new business centres. Lending to our SME customers continued to grow, increasing by 25% in 2011, helping exceed our share of commitments to the government under the Project Merlin agreement with some £4.3bn of lending. And we continued to work on our planned acquisition of bank branches and corporate banking centres from the Royal Bank of Scotland group.

Improving customer service

We remain committed to tackling service issues and a management priority is to improve the customer service experience. To this end, 1,100 new UK based customer-facing roles were announced in 2010 and the new staff were in place by March 2011. Complaints handling processes were re-engineered in the year and a range of other initiatives and processes were introduced to address the root cause of service quality issues.

The impact of these actions was evident. Notwithstanding the impact of PPI related complaints in the second half of 2011, the overall number of FSA reportable complaints received in 2011 was 19% lower than in 2010.

Looking ahead

We believe that 2012 is likely to be a tough year for the banking industry with increased regulatory burdens and funding costs, and continued low interest rates. The recent announcements on regulatory reform, particularly the Independent Commission on Banking, imply considerable change for the banking industry.

We will continue to invest in the commercial transformation of our business. Our aim is to increase our lending to SMEs and create new jobs as we open more business centres to serve them.

Putting customers at the forefront of our business is a key part of our focus and we plan to further improve and deepen our customer relationships by providing tailored propositions and a competitive product range. We have made significant investment in improving our service quality and with further initiatives planned for 2012 we hope to see continued improvements in customer satisfaction as a result.

Our vision is for Santander UK to emerge as the best bank in the country for our people and our customers.



Financial information

| | 2011 | 2010 |
|-------------------------------------|---------|---------|
| 1. Operating highlights (£m) | | |
| Trading income | 5,045 | 5,293 |
| Profit for the year | 903 | 1,583 |
| 2. Balance sheet (£m) | | |
| Shareholder's Equity | 12,666 | 12,274 |
| Total Tier 1 | 11,498 | 10,890 |
| Total assets | 297,574 | 302,860 |
| Deposits by customers | 148,342 | 152,643 |
| 3. Management ratios (%) | | |
| Trading cost: income ratio | 44 | 41 |
| Core Tier 1 ratio | 11.4 | 11.5 |
| 4. Social contribution (£m) | | |
| Salaries and other staff costs | 956 | 835 |
| Taxes on profit for the year | 358 | 542 |
| Community contribution | 14 | 10 |

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



Taking responsibility

The Santander CSR strategy is focused on education, supporting entrepreneurs and creating jobs. Our flagship programmes – Santander Universities, Santander Foundation and the new Santander Breakthrough initiative for SMEs – represent a significant investment in communities around the UK.

REPORT FOCUS

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). The report has achieved GRI Application Level C+.

The CSR team has responsibility for defining the content for the report and it works with representatives from around the business for the 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 > csr.

Stakeholder engagement

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

Stakeholder contact

| Groups | Contact |
|-------------|--|
| Customers | - customer satisfaction surveys: 200,000 customers contacted in the year - Customer FIRST monthly surveys of 20,000 customers |
| Employees | - employee opinion survey - 26,000 employees receive the annual survey |
| Communities | - impact assessment forms sent to all grant recipients - 225 charities contacted during 2011 |

CSR STRATEGY

In addition to the flagship programmes, our CSR programme also features a range of core initiatives that contribute to the development of our relationships with our key stakeholders, addressing specific issues, including:

- investing in supporting financial capability to help adults and young people better manage their money and providing funding for the Money Advice Trust debt advice line for people in financial difficulty.

- for our employees, a new change management programme was established in the year to help drive the actions needed to make Santander the best bank to work for in the UK.

- we manage our environmental impacts through Santander Global Facilities, taking into account our use of energy, management of waste and contribution to climate change through CO₂ emissions.

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

The Santander Group is a member of the main international CSR initiatives and the UK business contributes to these:

- UN Global Compact
- UNEP Finance Initiative
- Equator Principles
- Principles for Responsible Investment
- Carbon Disclosure Project
- Banking & Environment Initiative

BREAK THROUGH

Santander Breakthrough

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

Breakthrough will offer mezzanine-type debt finance to high growth SMEs in the UK with a turnover of between £0.5m and £10m through a £200m Growth Capital Fund. We know that businesses of this size struggle to find finance to help them break through to the next level of growth and we aim to help around 200 businesses achieve their goals through the fund over the next five years.

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

- Live events - providing an opportunity for owners and managers to meet their peers, learn from successful entrepreneurs and participate in interactive sessions covering key business issues. We kicked off the programme with four events around the UK during the year.
- Master Classes - giving entrepreneurs and managers of growing businesses the opportunity to experience first hand how other fast growth businesses and iconic brands have achieved their success. In 2011 we took 15 fast-growth SMEs into Google and LoveFilm.
- Overseas - working in collaboration with UK Department of Trade & Industry, we are providing selected SMEs with overseas trade missions, to meet potential customers and suppliers and identify new opportunities for growth in the market. In 2011 we took 10 businesses to Brazil.
- Internships - providing graduates with paid internships at entrepreneurial small businesses that could benefit from their skills, helping SMEs attract talent and graduates to gain valuable work experience.

Following the successful launch of the programme at the end of 2011, we will be co-coordinating 10 Breakthrough Live events, five overseas trade missions and six Master Classes in 2012 providing a unique programme of support to over 1,500 SMEs in the UK.



Breakthrough Responsibly

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

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

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

In 2011, we supported a series of Enterprise Inquiries organised by BITC to identify ways in which larger companies can support SMEs by opening up their procurement policies and supply chains. The three events which took place in Manchester, Birmingham and Leeds saw around 90 small companies attend the workshop events to hear from businesses who had accessed large corporates in their area, and those who were facing challenges. An Enterprise Checklist developed following the events brings together the learnings from the participants and provides a series of recommended actions that corporates can take to support regional recovery and growth through small company enterprise. In 2012 we will be working with BITC and Department for Communities and Local Government on 11 Enterprise Inquiries around the UK.

Young Enterprise

We are working with business education charity Young Enterprise to support their 'Start-up' programme. The year long scheme supports students aged between 18 and 25 to experience the challenges and rewards of setting up and running a business, encouraging the next generation of entrepreneurs.



In 2011, 27 Universities joined the scheme and almost 1,300 students were involved in running their own business. Start Up is growing in popularity and in 2012 the charity aims to increase the number of student enterprises from 250 to over 300.



Customers

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

Providing banking services and products

The strength of our products was recognised by Moneyfacts during 2011; Santander was named personal finance provider of the year, we won the best current account provider (debit interest) award and were highly commended as best current account provider (credit interest). Our Preferred Current Account offering 5% in-credit interest was featured as a best-buy in the media for much of the year.

During 2011 we re-launched our online banking service, providing customers with secure access to all their accounts in one place. We also launched text and email alert services for customers who registered for online banking, helping people to manage their money more easily. The texts provide customers with a range of updates about their current accounts, including low balance alerts and notifications when deposits, such as salary payments, have been received.

We introduced a new clearer daily fee charging structure in the year for arranged and unarranged overdrafts to make it easier for customers to understand how they are charged.

Supporting homeowners

We continued to support the UK housing market in 2011 offering a range of competitive products for both purchasers and remortgagers, and we supported first-time buyers with mortgages of up to 90% loan-to-value and a range of exclusive products.

For our existing current account and mortgage customers we offered discounted products to those looking to move home. We also launched a new 'track and fix' option, to offer borrowers greater choice and flexibility in the uncertain market.

We introduced new products in the buy-to-let sector at the end of the year, offering a range of options for non-professional landlords, responding to the strong demand for quality rented accommodation in the private sector.

Credit and savings

We continued to offer competitive rates on our savings products in the year. Highlights included the revolutionary Upfront interest bond which offered customers interest upfront at the start of the product term rather than the end as is the norm, inflation linked bonds and our eSaver which continued to offer customers an excellent rate, initially 3% and increasing to 3.1% AER on a minimum balance of £1.

In 2011, we also launched the 123 Cashback credit card which offers cashback on everyday spending in supermarkets, department stores and petrol stations at a rate of 1%, 2% and 3% respectively. The product received positive national press coverage and since its launch, over £1million in cashback has been paid out to customers.

Customer security

We take security issues seriously and it is essential that customers who use our online services know they are safe and protected against fraud risks. In 2011, we introduced a new best in class 'image and phrase' log-in system which displays a picture or image chosen by the customer and an associated password, and we enhanced our online banking security systems to provide a greater level of protection for our customers.

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SUPPORTING UK BUSINESSES

Becoming the SME bank of choice

Our aim is to build relationships with our customers based on understanding their business and their needs so that we can support them as a business partner, not just a finance provider.

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

Our team of Local Business Managers continued to grow in 2011. They are tasked with becoming actively involved in their local community to support small businesses in their area. We also made a significant investment in our UK based Telephone Business Advisers to better support customers. And for larger businesses we increased the number of experienced Relationship Managers and Relationship Directors based in our 28 business centres.

Shield Environmental Services

Shield Environmental Services is a Bristol-based company providing asbestos surveying, removal and training services. It also provides thermal and sound insulation and specialist clean-up services for businesses that have suffered a fire or flood. Their client base ranges from the social housing sector to the marine and insurance industries.

Shield identified opportunities to expand their operations and they looked for a banking partner that could provide the freedom and flexibility to seize these opportunities.

A dedicated relationship director from Santander quickly gained an understanding of the company's strategic growth objectives and alongside day-to-day banking facilities, merchant services and treasury solutions were put in place to help the company manage cash flow and risk. Santander also provided Shield with a term loan to help fund the opening of two new branches, in Birmingham and London. The company has since been able to take on more staff and win new contracts.

Improving our products and services

2011 saw the launch of a new range of products for our SME customers including business current accounts and instant access deposit accounts. These products aim to be simple, easy and straightforward to understand and provide value for money for new and growing businesses. In 2011 we extended the Post Office network channel to Business Banking customers through the new range of business accounts. And we enhanced the products we offer our customers with a range of Corporate Expense solutions.

We further improved our payment processing times and were the first bank to be fully compliant with the new Payments Services Directive. Payments up to £100k can now be sent via Faster Payments.

The strength of our products was recognised by Business Moneyfacts who named Santander Business Bank of the Year for the third year running, Best Business Current Account Provider for an unprecedented ninth year running, Best No Notice Business Deposit Provider and Best Service from a Commercial Mortgage Provider. We were also named UK Bank of the Year by The Banker magazine.

Supporting SMEs impacted by the civil unrest

Following the civil unrest which took place across the UK in August 2011, Santander reacted quickly to put in place a process to allow customers who had been impacted by the riots to get access to emergency provisions.

We also supported the High Street Fund, the charitable organisation set up following the riots to provide grants to small businesses to help them stay afloat and repair the damage many suffered during the civil unrest. Santander branches processed claims from applicants and Local Business Managers went out to visit businesses who were in need of further finance to assess their needs and help them secure a grant as quickly as possible.



Norton Motorcycles

Santander was one of the first lenders to participate in the Government's Export Enterprise Finance Guarantee (ExEFG) scheme, developed to help facilitate economic recovery, through a loan provision to Norton Motorcycles (UK) Ltd.

Founded in 1898, Norton came under new ownership in 2008 and, after a period of intense research and development, production started at its new home at Donnington Park in Leicestershire. As interest grew and the order book expanded, it became clear that the production facility would have to be extended to cope with customer demand.

Santander assigned a dedicated relationship director and a trade finance specialist who were able to bring valuable expertise to Norton. The team suggested the ExEFG and a £625,000 loan was the first to be advanced under the scheme. Santander handled all the paperwork for the loan which will support the creation of 30 new jobs and significant expansion of the company's production facilities.



Supporting the social housing sector

Our specialist Housing Finance team aims to build long term relationships with social and affordable 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. We have relationships with around 300 Registered Providers (RPs), spread across the UK.

Demand for good quality subsidised 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. In 2011, we delivered over £650m of additional loan finance to around 30 RPs.

Through Santander Global Banking & Markets (SGBM), we can now provide RPs with access to long term investment from pension and life funds via the debt capital markets. During 2011, SGBM was the only bank to act as a bookrunner on every secured sole name bond issue, raising a total of £370m for three RPs.

As the sector continues to evolve in the way RPs deliver and finance new social and affordable housing we are committed to developing efficient and effective solutions that meet the current and future needs of social landlords.

Peabody

Peabody was founded in 1862 by American banker, diplomat and philanthropist George Peabody. The Peabody Group now owns and manages more than 20,000 homes across London, housing 55,000 people. It manages a range of tenures, including social and affordable rented housing, leasehold, shared ownership, supported housing, keyworker accommodation and commercial units.

Peabody also provides a range of community programmes for its residents and neighbourhoods, including employment and training programmes, health and well-being initiatives, activities for younger and older people, welfare benefits advice and family support programmes.

In March 2011, SGBM acted as joint bookrunner on a £150m bond issue. The issue was well supported by investors, enabling Peabody to obtain 32 year funding at a coupon of 5.25%.

Stephen Howlett, Peabody Chief Executive commented, "The funds will enable us to develop more than 1,000 new homes at social and affordable rents during the next three years."





PRIORITISING CUSTOMER SERVICE

Delivering excellent customer experience and improving improving customer service remains a key strategic priority for Santander and in 2011 we continued to invest in our processes and systems to improve the experience for our customers.

Our 'Service Commitments', launched in 2009, describe in a simple and straightforward way what service means to us and what our customers should expect during every contact with us. They are:

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

In 2011 we completed a number of initiatives designed to further improve our service and satisfaction levels, and strengthen our approach to treating customers fairly.

We brought our two overseas retail call centres back to the UK, in response to customer feedback, and increased the number of staff available to help customers. There are now 1,100 additional customer-facing roles in our branches and call centres.

We automated some of our key processes to simplify the experience for our customers when they request a tax certificate, cheque book, paying-in book or open a new account. Customers are now advised by text or email when their request has been received and when the action has been completed.

To improve the experience for customers in our branches we installed Chip & PIN devices and 300 new deposit ATMs, helping to reduce the time customers need to spend to complete their banking when they visit us.

We surveyed over 200,000 branch and call centre customers in 2011 and asked what they thought of our service; the results indicate that our investment in customer service is delivering improvements:

- Almost 9 out of 10 customers are satisfied with our service, up from around 8 out of 10 last year
- Queue times in branches, one of the key drivers of customer satisfaction, have come down significantly – from over five and a half minutes to less than three minutes.
- The proportion of customers experiencing an error on their account within the previous six months reduced to circa 1 in 6 customers. There is clearly more to do, however this represents a significant improvement on previous levels.

Customer FIRST

Customer FIRST is a behavioural training programme that was introduced across our Retail division in 2011. It is based on embedding the behaviours we want our staff to demonstrate to every customer, every day.

The programme saw all Branch Managers attend four learning sessions between September 2011 and February 2012, delivered by an external behavioural training specialist. The modules focussed on seeing the customer's journey through the branch from their perspective. Staff were taken through a series of activities that reviewed typical customer interactions that take place and the ideal behaviours that should be displayed to the customer to improve the experience.

Managers were tasked with going back to their branches and cascading what they learned to their teams. This was supported by their line managers and divisional teams to make sure they embedded the changes and everything they'd learned for the benefit of their customers.

Measurement of the impact of Customer FIRST is via surveys with around 20,000 customers every month. Early results are encouraging with customer satisfaction with their last branch visit or phone call improved by around 14 percentage points in 2011.



Improving our management of complaints

Our approach to managing complaints was further improved in 2011. Customers who write to us with a complaint relating to core banking services or savings are now contacted by phone (where a contact number is known) so that we can improve our understanding of their problem and speed up resolution. We are also increasing the use of technology – such as text messaging – to help us better connect with customers.

The new Customer FIRST programme encourages our staff to put themselves in their customer's shoes when dealing with complaints and our front line staff received refresher training in complaints handling in 2011.

Employees are encouraged to resolve issues and complaints using their own expertise and tools available to them. If they are unable to resolve the complaint they refer it to a central team who coach staff to deal with simple complaints over the phone or take from them the more complex ones. This approach has seen a significant improvement in the speed with which we address complaints, as well as the quality of the resolution and the number of complaints outstanding.

In 2011 the scope of our complaint cause identification was extended and a dedicated team uses this enhanced root cause analysis to inform an ongoing programme of service policy and product improvements. We reduced complaints by over one third in areas such as cards, bond openings and mandate changes using this new detailed approach.

Our complaints handling is also now monitored through a new quality assurance model which identifies areas for improvement in our processes and changes are now being introduced on an ongoing basis.

Focused on results

The overall number of reportable complaints to the FSA received in 2011 was 19% lower than in 2010.

Our share of Financial Ombudsman Service customer complaints in the second half of 2011 remained below our market share of retail banking and we had a lower share of cases upheld against us than the sector as a whole. Internal monthly customer surveys also indicate an improvement in service levels; by the end of 2011 almost 90% of customers were satisfied or better and 80% of complaints were resolved within 48 hours.

SUPPORTING HEALTHY FINANCE

Supporting customers with financial difficulties

We recognise that our customers may find themselves facing financial difficulties at some point and we are committed to treating them sympathetically when they are experiencing financial distress.

On our internet site we have a support section focused on the theme of financial difficulties. This covers a range of topics from what debt means to working out a budget. Free money advice and debt counselling charities are promoted through the site, including those supporting small businesses.

We continued to offer prudent refinance options to mortgage and banking customers in short term financial difficulty through the year. We reviewed our approach to affordability-based assessments for mortgage arrears and revised the steps our employees take in negotiating with collectors. In 2012, we will be extending this work to look at other product areas.

In 2011, we established a specialist team to provide increased assistance to our mortgage customers who are struggling with repayments. As part of this new approach we launched pilot schemes with Payplan and Consumer Counselling Credit Service where we fund detailed debt counselling interviews with our most financially stretched customers. We will be looking at ways to extend this work in 2012, particularly as the economic situation continues and more people struggle to cope with their finances.





Supporting financial capability

Improving young people's financial skills

In 2011 Santander provided funding for projects supporting financial capability in the secondary and further education sectors. Working in partnership with leading national charities and third sector organisations we are providing long-term support for financial education to help increase financial awareness and understanding for young people.

Pfeg (Personal Finance Education Group) helps schools teach personal finance to students. In 2011, Santander funded the development of a web based teaching and learning resource 'Money Works: it's your business'. Almost 400 copies of the materials were ordered by teachers, reaching an estimated 300,000 young people. Building on this, in 2012 we will fund an online financial health check tool for 14-16 year olds. The funding will also develop curriculum based materials for the classroom, encouraging early responsibility for personal finances.

We are also working with Credit Action which helps those most vulnerable to financial difficulties by providing money education programmes. For young people embarking on a new University course, the charity's Student Money Manual provides everything that students need to know about the money issues they may face. The guide is sent out every year, via UCAS, to every student in the UK applying for University. In 2011, with funding from Santander, over 400,000 students received a copy.

Helping disadvantaged people

Through the Santander Foundation over 60 charities received grants totalling £693,000 in 2011 for projects to help disadvantaged people improve their financial understanding and awareness. Our support included a donation of £100,000 to Citizens Advice to distribute to their member bureaux to promote financial capability.

Six grants were awarded to groups of bureaux, linking experienced teams with those new to the issue. The partnerships are based in Liverpool, Devon, Kent, West and Mid Suffolk, Stoke on Trent and Tees Valley. The groups aim to develop 50 new financial capability trainers in order to reach over 900 people facing financial disadvantage.

Fair Finance

Fair Finance was founded in 2005 to tackle financial exclusion through adapted financial services. The business was set up on the premise that everybody deserves a fair chance to access affordable alternatives when it comes to finance. It offers advice and micro loans to socially excluded individuals and loans are offered with access to a bank account for those clients without one, along with coaching on financial capability techniques to improve clients' money management skills.

Santander is supporting the company through a loan provision which has allowed Fair Finance to grow the business and continue to lend to socially excluded individuals.



Employees

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

A REWARDING PLACE TO WORK

Reward and remuneration

Pay levels and bonuses continued to be a significant issue for the financial services sector in 2011, however as a retail-focused bank the high figures often quoted in the media do not reflect our business. Following the publication of the revised FSA Remuneration Code, we have ensured that all our policies and practices are compliant and will continue to do so.

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

In March 2011 we agreed a pay deal with our unions which was higher than other major UK banks with a market leading award of up to 3.1% for a successful performer. Employees received a fixed percentage increase based on their performance rating and position in the salary range for their role.

Pension provisions

We also look to provide staff with pension arrangements that are fair, competitive and sustainable. All our employees are eligible to join one of our pension schemes, and 74% have chosen to do so. Fifty five percent of staff are in Defined Contribution (money purchase) schemes, mainly the Santander Retirement Plan, launched in 2009, which continued to achieve a participation rate of around 80% of eligible employees. Twenty percent of staff are in Defined Benefit (final salary) schemes, which are closed to new joiners.

In May 2011 we introduced "SMART" pensions for all of our pension schemes. This is a facility allowing employees to sacrifice pay in return for the company paying their regular pension contributions which delivers National Insurance savings for many employees. Employees earning £7,464pa or above were automatically enrolled into SMART, and participation among these employees is 95%.

We provide Pre Retirement Courses for employees aged 55+ and we trialled Financial Education Seminars towards the end of 2011 for employees in their early and mid careers. Following positive feedback, we plan to introduce these seminars in 2012 as a new employee benefit.

Bank Workers Charity

We make an annual donation to the Bank Workers Charity, the charity for banking employees and retirees. The charity provides services in three areas: wellbeing, home and money. One of our employees is a Trustee of the charity and a number of Santander employees and pensioners, and their families, benefit from the help and support the charity gives.

Enhanced benefits

We provide employees with a menu of benefits that aims to reflect the diverse nature of our workforce. Throughout 2011, we continued to enhance the options available with the addition of a new car scheme and Cycle2Work scheme, a government-backed initiative designed to help staff purchase a bike for travelling to and from work. The cost of a new bike is spread over 12 months and there are also tax and national insurance advantages.

A further invitation under the Santander UK Sharesave Scheme was launched in September 2011, 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 2011 invitation was the most successful to date with over 25% of eligible employees participating.



CREATING AN INCLUSIVE WORKPLACE

Promoting diversity

We are committed to supporting diversity and to creating an inclusive culture where all our people can contribute to our success. We aim to ensure that we recognise employees as individuals and to promote diversity as an important factor in the success of our business - having diverse teams that reflect our customers will help us to achieve our aim of becoming the best bank.

The Diversity & Inclusion Steering Committee provides governance, direction and impetus to achieve our objectives in this area.

Key achievements during 2011 included:

- Reviewing and updating the Diversity & Inclusion Policy
- Complying with the Northern Ireland Statutory reporting requirements
- Re-launching a revised Diversity Awareness Training course for senior leaders
- Reviewing the mandatory Diversity & Inclusion online training module to ensure it covers all aspects of the new Equality Act
- Celebrating diversity through a series of intranet articles in Inter Faith week
- Sponsorship of the Opportunity Now Gala Awards & Dinner which included a Santander Award – Inspiring the Workforce of the Future.

We retained Silver status in the Opportunity Now gender equality benchmarking process and were featured in The Times Top 50 Employers for Women list in 2011.

Listening to our employees

In 2011 our annual Employee Opinion Survey achieved an excellent response rate of 85%. Overall, favourable scores were up three percentage points. The 'Working Together' area has historically had the lowest score however this showed a further 10% improvement on the 12% improvement seen in 2010. Increased favourable scores were seen in all other categories too with new initiatives such as Customer FIRST being well received as a way to help improve customer service.

Santander is You

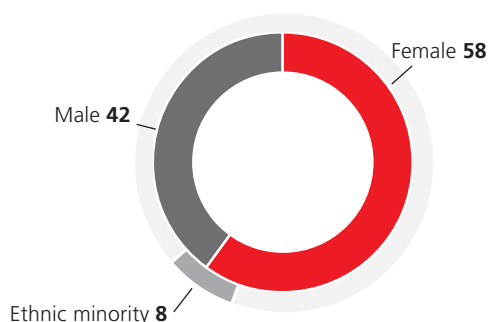
The 'Santander is you' global HR programme aims to promote the benefits of working for Santander as well as helping to raise awareness of the Santander Group values.

In September, Santander UK was host to the Group's third 'Santander is you' race. This saw 60 employees from 16 different countries take part in a three day running challenge from London to Leicester.

The annual event aims to promote the global reach of the bank as well as the company's values of dynamism, commercial drive, strength, professional ethics, leadership and innovation.

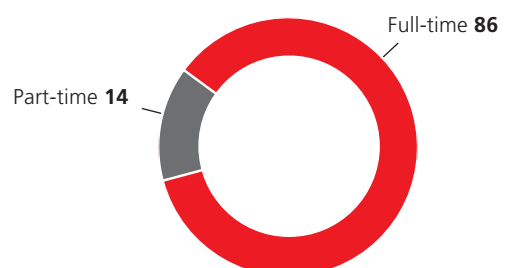
Employee breakdown

%



Type of employment

%





Working in partnership

Santander has a long history of trade union recognition governed by a partnership agreement with Advance and recognition agreements with the Communication Workers Union (CWU). Advance is the independent trade union recognised in the former Abbey and Bradford & Bingley parts of the business and CWU is recognised in the former Alliance & Leicester parts of the business. Both unions are affiliated to the Trade Union Congress.

We consulted our trade unions throughout 2011 on significant proposals and change initiatives within the business at both national and local levels. We held regular Joint Consultative and Negotiating Committee meetings to enable collaborative working and ensure that communication is open and two-way.

Joint pay negotiations took place for the first time with Advance and CWU in January 2011. The pay deal was positioned very positively in the joint communications released to employees, as well as within individual union communications. Ninety-two percent of CWU members voted in favour of the pay agreement in a consultative ballot.

We also committed to implement a new National Pay Progression Scheme and to simplify the Pay Framework, and we worked with both Advance and CWU during the year on these initiatives.

Keeping staff informed

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

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

DEVELOPING HIGHLY SKILLED PEOPLE

In 2011, a new 'Learning at Santander' website was launched to make it simple to find and access learning for individual roles, ongoing development and career aspirations. The site includes a collaborative discussion forum, allowing staff to post and comment on each other's findings, creating a virtual Learning community.

Employees now have access to over 1,000 hours of learning material to support their development in addition to the core e-learning platform, Learning Management System.

Career Paths

Career Paths is an intranet based resource designed to inspire and guide career planning. It introduces the various roles in business areas and illustrates the options that exist for career progression both in the UK and overseas. For each role there are practical suggestions on how to develop the skills, knowledge and experience needed.

We launched a new induction programme in the year with a site that provides a multimedia learning experience about the bank, along with a face-to-face training course, to ensure all new starters receive the same consistent messages about the Group's priorities.

For business area specific inductions 'Academies' provide competency-based learning for core roles. A total of 314 Academies were delivered in 2011 including 28 Branch Manager Academies, 26 Bancassurance Client Relationship Manager Academies and 260 academies for other retail roles. In 2011 we launched an Academy for Customer Service Excellence and Team Manager Development for our Manufacturing division.

Within the Corporate Banking division, over 1,940 days of face-to-face learning were provided to ensure we can provide the best service to our SME customers.



Professional qualifications

We supported 102 new financial advisors and 243 mortgage staff in sitting their relevant qualifications and offered in-house revision workshops, on line support and study materials. And we continued investment in our employees in other divisions with over 302 employees supported in qualifications to further their expertise in areas such as risk, audit and financial management.

Developing talent

We have a comprehensive range of development programmes aimed at four different levels of management which feature a series of blended learning modules supported by a virtual learning environment. Twenty-five percent of the management population have attended one or more element of our programmes since 2008. London Business School provide senior level training which 138 senior managers have attended to date. In total, 61% of our senior managers attended executive development programmes hosted by Santander Group in Madrid.

Development and mobility committees provide tailored development support for senior managers and executives. 71% of the current executive populations have attended the committees and 40% of current senior leaders. One of the key ways in which we personalise development at this level is to provide business coaching and internal mentoring, maximising on job development in addition to formal training programmes. We also provide an online talent and succession planning tool for managers. This has now been rolled out to 3,500 individuals and gives us insight to how we can best support their career development in Santander.

Attracting new talent

We are committed to bringing young people into our business and recruited 52 graduates in 2011 for our branch network and other business areas, and we provided 42 paid summer intern positions for penultimate year students. Ten people have been offered permanent roles or extended working opportunities as a result of their internships. 2012 will see an increase in the number of roles available; we aim to recruit over 100 graduates and 70 summer interns.

We also recruited 27 A level students onto our five year 'Flying Start' development programme which supports staff to achieve a degree level qualification. The recruits joined Branch Distribution, Telephone Distribution and Manufacturing, based in Belfast, Bradford and Glasgow.

Supporting social mobility

Santander became a signatory to the government's Business Compact in 2011, committing the bank to providing employment opportunities to people from diverse backgrounds.

In 2012 we will be offering up to 30 work experience placements, supported by mentoring, to young people and looking to offer additional early in career opportunities via an apprenticeship programme.

Career Academies

Santander works with Career Academies, a UK charity that runs programmes aimed at 16 to 19 year olds who are at risk of becoming unemployed when they leave school. We provide funding for the resources and materials to run schools-based academies, and in 2011 we expanded our support from three to six schools, launching new Finance Academy partnerships in Sheffield, Glasgow and Belfast. We provide paid summer internship placements for the students and in 2011, 31 young people benefited from valuable work experience in our branches and call centres.



Common Purpose

Common Purpose runs leadership and education courses and Santander is providing funding over three years for their Frontrunner Course specifically targeted at disabled students to help develop their leadership skills. In 2011, 65 students completed the residential course.



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 2011, a harmonised process was implemented across all business areas and line managers received training on the new performance management processes.



People policies

During 2011 we continued work to align the former Abbey, Alliance & Leicester, GE and Bradford & Bingley people policies. Working with our unions, Phase Two saw the agreement and implementation of new Bullying & Harassment, Diversity & Inclusion and Drug & Alcohol policies. Discussions also took place on proposals for Reward policies such as Pay Progression, Responsibility Allowances, Overtime and Shift Arrangements. A comprehensive review of the Phase One harmonised policies launched in 2010 was also undertaken in conjunction with both unions including Sickness Absence, Performance Management, Grievance and Disciplinary which resulted in further enhancements being made.

In addition, new policy and guidelines were agreed with our unions to ensure compliance with the Agency Workers Directive. Other legislative changes were implemented and communicated in 2011, including the new rights to additional Paternity Leave and Pay, the removal of the Normal Retirement Date and the introduction of a new Anti-Bribery and Corruption Policy in response to the Bribery Act coming into force.

Preparations will continue for the integration of the new employees joining from RBS towards the end of 2012, working with their recognised union, Unite. We are committed to making the transition as smooth as possible, and ensuring that staff benefit from any enhancements that our People Policies may provide, whilst considering any existing RBS policies that may transfer with them.

HEALTH, SAFETY AND WELLBEING

We are committed to creating a safe and healthy environment for our employees and a dedicated telephone and on-site advisory service is available for both managers and staff. The team carry out assessments and give practical guidance and in 2011 just under 7,000 calls and 782 site visits were supported.

A safe place to work

Working in partnership with the Health and Safety Executive we completed a formal audit and review to improve our management of key health and wellbeing issues in 2011. The following initiatives supported our goal to achieve health and safety excellence:

- Audited approximately 20% of the branch network, for safety compliance.
- Audited the Property Health and Safety Management System for Head Office buildings and Branch Network, including assessments for electrical safety, water hygiene, control of contractors and fire safety.
- Issued new Road Safety Guidelines to staff, reflecting changes in the law.
- Developed a comprehensive face-to-face training course for Head Office Fire Wardens.
- Convened quarterly Health and Safety Committees, and a Joint National Health and Safety Forum with our unions.
- Issued the new Drug & Alcohol Policy with associated guidelines to better support staff.

Our record on accidents in the workplace is good with a total of 258 recorded in the year. Of these 252 were classified as minor, mainly the result of slips and trips, two resulted in an absence of over three days and four were major.





Supporting employee wellbeing

We aim to promote the physical and mental health and wellbeing of our employees and undertake a range of activities to support our staff.

We have fully equipped gyms in three head office sites and membership regularly meets the maximum capacity of 800 throughout the year. Our quarterly Health and Lifestyle Update newsletters address a range of issues regarding safety, health, wellbeing and lifestyle.

Our employees, and members of their immediate family, have access to an Employee Assistance Programme, a free, confidential telephone helpline available 24/7. Staff can also access face-to-face counselling in appropriate cases.

During 2011 we worked with a number of external partners to access their expertise on common health issues in order to improve our support for employees and managers. We worked with Action for M.E. and included an article about managing M.E. in the winter Health and Lifestyle Update. The charity has identified Santander as a positive example of how employers can support staff with this condition.

In addition, we undertook a pilot to deliver formal, face-to-face training for Branch Managers to help them pro-actively identify, manage and support staff that have a developing mental health condition. The feedback from managers was good with 97% saying the training had increased their confidence in managing the issue.

Employee wellbeing is a key priority and we will review our existing arrangements for managing work related stress following the initial work undertaken in 2011. This will include a second phase of mental health training for Branch Managers and the enhancement of existing procedures to provide third party support to staff affected by common mental health conditions.

Supporting positive mental health



Working together with MIND, the mental health charity, we launched a pilot in branches in the London area which saw the charity's support workers provide expert, bespoke support to staff on sick leave with common mental health conditions such as stress, depression and anxiety. The pilot provided help and support for employees on the journey to a successful return to work.



Communities

With a business focused on retail banking and SMEs, our community investment strategy is focused on local organisations, reflecting our local footprint.

Supporting local communities

Historically the majority of our community support has been through charitable grants made by the Santander Foundation and support for students via Santander Universities, together equating to some £8 million a year.

Reflecting our strategy to increase giving as part of the CSR 3 year plan, Santander invested over £14 million in 2011 in community projects, the majority through cash donations, an increase of 39% compared to 2010.

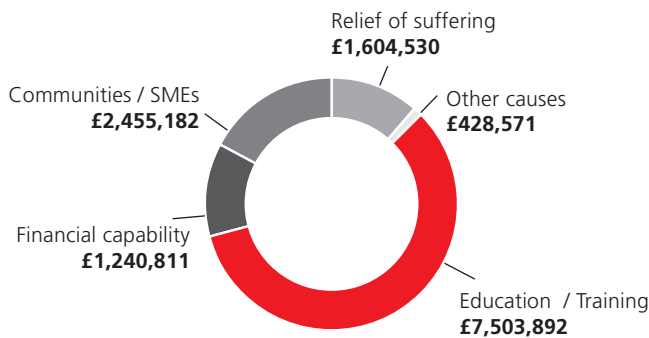
Social enterprise

In 2011, a new flagship community investment programme was launched to support the growing social enterprise sector. The Santander Social Enterprise Development Awards have been set up to support growing social businesses in the UK to help them achieve their business goals and support employment, regeneration and local economic growth.

The scheme was piloted in 2011 in the north of England and nine social enterprises were awarded over £240,000 to support their development and growth plans.

SEDA will be launched nationally in 2012 with the aim of supporting over 70 organisations through a £2 million prize fund. Working with the Community Foundations Network we will provide a range of support programmes alongside the funds in order to help the social enterprises to maximise the impact of the investment and assess the value created.

Areas of support



Funding local charities

The Santander Foundation provides grants to charities for education & training and financial capability projects that help disadvantaged people. Support is directed at communities where Santander branch and business centres are based and locations where the bank has a significant presence, such as a head office or call centre. Employee-led Community Partnership Groups (CPGs) make decisions on where grants are awarded in the major locations and between them the nine CPGs made 141 donations totaling over £1 million. Outside these areas donations were made to over 190 charities supporting charities right around the UK with a further £1 million in grants.

Speakup Self Advocacy

Speakup, based in Rotherham, helps to improve the lives of marginalised people and with a donation from the Santander Foundation 103 people with learning disabilities and autism learned money management skills. Maxine Nicklin from the local Santander branch visited the charity and took part in one of the money management sessions.



Charities are asked to report back on the difference made by our grant and score the impact from 0 for no benefit up to 4 for exceptional, long-lasting benefits. We received 186 replies from the 255 surveys sent out in 2011 which showed that 59% saw significant, long-lasting benefits and 36% exceptional, long-lasting benefits.

The charities reported gaining a further £1.4 million of extra resources as a result of our funding which represents 67% of added value leveraged from our donations.



Time for the community

2011 saw the number of staff volunteers increase by 51% from 2010. Staff took part in a varied range of activities including schools volunteering, delivering business skills and career days around our main sites in Belfast, Milton Keynes, Leicester, Glasgow and London.

Our most popular initiative is Community Days, a scheme which encourages teams to support local charities and community groups through practical projects. In 2011 over 1,500 employees took part, creating outdoor areas for schools, decorating interiors and organising Christmas parties for day care centres. Community Days projects took place around the UK and provided over 11,000 hours of volunteering time to good causes.

Overall, the total number of employees involved in company volunteering initiatives in 2011 was 1,961 which equates to a value of over £146,000 of time contributed to the community by Santander.

Supporting staff fundraising

Our Charity of the Year in 2011 was Alzheimer's Society, chosen by staff. Key fundraising events in the year included abseils, 'memory' walks, the Liverpool Triathlon and the first Santander UK charity ball. Two teams took part in treks to Mt. Kilimanjaro, collectively raising over £120,000.

In all, over £595,000 was raised for the charity thanks to the energetic efforts of staff and the generosity of our customers and suppliers. Employee fundraising was matched by the Santander Foundation and the funds raised will support the charity's online help centre 'Talking Point' for carers and sufferers of Alzheimer's and other dementia illnesses.

The Matched Donation scheme supports employees in their charitable endeavours, whatever the cause, and it grew by 20% to another record level of £1.8 million in 2011. The 1,655 donations ranged from small local charities to national causes such as Help the Heroes.

These efforts are recognised through the Santander Community Awards and in 2011 eight staff were selected for their outstanding community contribution and received a £1,000 donation to a charity of their choice at the awards event.

Santander Community Awards

Award winner John Rossi has been a long-time supporter of a range of charities including Macmillan Cancer Support, British Heart Foundation and a local charity in Milton Keynes called Willen Hospice. He has organised numerous fundraising events over the years and has raised thousands for worthy causes.



John said of the Award, "It was a wonderful surprise and privilege to be nominated and a bonus to be able to donate my prize money to Willen Hospice who were thrilled to receive it."

Sporting links

Reflecting Santander's links with Lewis Hamilton, Jenson Button and Rory McIlroy, the bank provides support to up and coming sporting talent through the Santander Sporting Heroes programme.

The scheme features a Hall of Fame for employees who are involved in competitive sports, and for those who are at international level and representing their country there is the Sporting Heroes Elite. In 2011 seven employees joined the Elite and received £1,000 in sponsorship to help with their equipment and training costs.

Through Sporting Heroes Grassroots staff can also nominate local community sports clubs and groups to receive free training kit and equipment. In 2011 we donated sets to 370 sports groups.

In 2011, we sponsored British Heart Foundation's London to Brighton bike ride. Cycling events have always been popular with employees and a team of 70 joined in the flagship event along with 30,000 other cyclists together raising over £3 million. The event was such a success that Santander will become the corporate sponsor of British Heart Foundation's entire cycling programme in 2012, helping to raise awareness of the benefits of cycling with the general public.



Universities

Santander Universities Global Division provides support to higher education through a range of programmes including scholarships, mobility awards for students to carry out their studies overseas and funding for entrepreneurial activities. In 2011 this saw £4.9m contributed to the sector in the UK.

Prioritising universities

Santander Universities Global Division was created in 1996, the result of Chairman Emilio Botín's aspiration for the bank to contribute to a prosperous and more egalitarian society. Since then the Chairman has remained close to the programme, visiting universities all over the world every year.

In 2011, the Group Chairman, UK Chairman and UK CEO made several visits to UK institutions including the University of Glasgow, the University of Oxford, and City University London demonstrating the importance Santander places on the Higher Education sector.

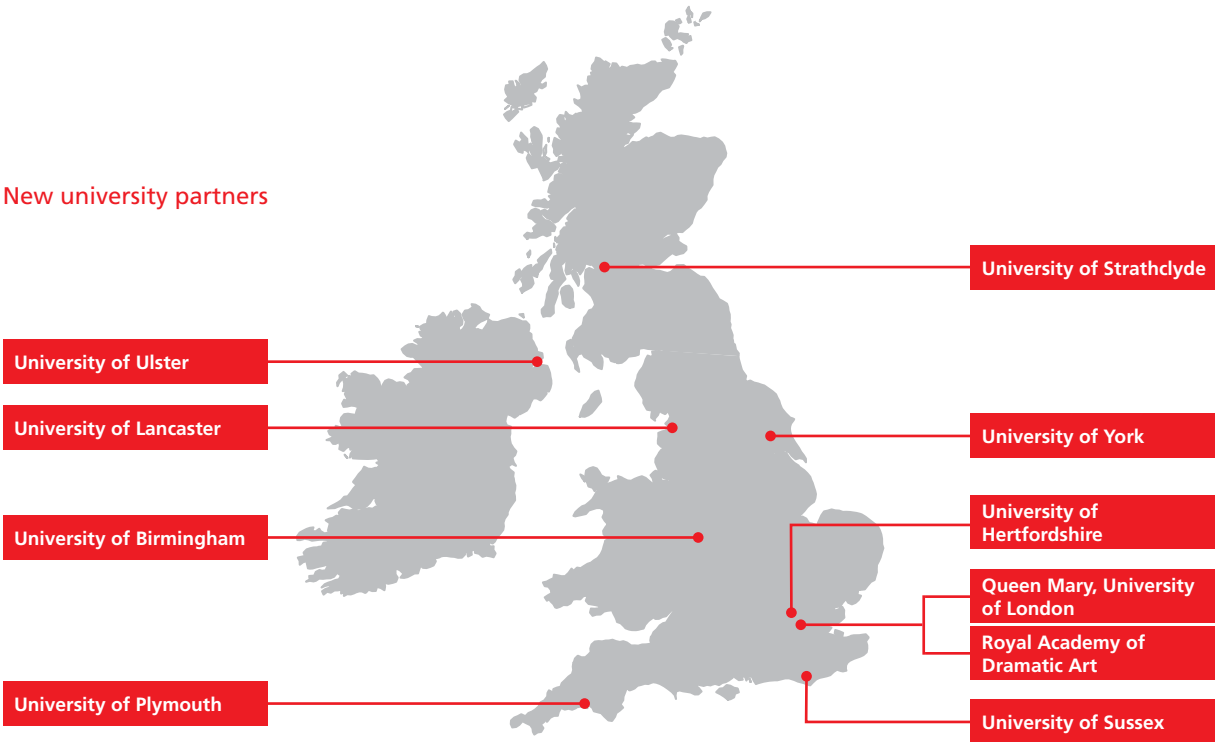
Worldwide, Santander Universities Global Division saw the number of partners rise to 990 with new countries represented for the first time including Poland and Germany. In 2012 the network is set to exceed 1,000 partnerships.

During the year, Santander Universities reached its aspiration to be the 'bank of universities' with 55 universities now collaborating with Santander UK through the programme.

Santander Universities UK

- 707 scholarships for international students to study in the UK
- 582 mobility awards for UK students to study abroad
- 49 entrepreneurship awards
- 259 special projects, including support for business incubators and international symposiums

New university partners





International ties

For the second year running the Top Brazil-UK programme strengthened the ties between UK and Brazilian universities. The programme, organised by Santander Universities Global Division, funded the visit of 45 UK students and academics to Brazil and 22 Brazilian students and academics to the UK.

The Brazilian party visiting the UK were invited by two institutions which are part of the Santander Universities network: City University London and the University of Surrey. While their UK counterparts were learning about Brazil and its culture, the Brazilian group enjoyed, among other activities, a visit to the London 2012 Olympic site and a chance to visit the Bank of England.

This innovative model began two years ago when Brazilian students visited Chinese universities through the Top China programme. The experience was so successful that it was extended to the UK, Spain and the USA.

Santander scholars meet F1 drivers

As part of the Formula Santander scholarships programme, Emilio Botín and McLaren Formula 1 drivers Jenson Button and Lewis Hamilton handed out 100 scholarships to students in London.

This was the second edition of the programme that provides 100 students from three Santander markets - Spain, Brazil and the UK - with a scholarship to study at a university other than their own, in the country of their choice. Each scholarship provides the student with 5,000 Euros to support their studies in one of the universities in the Santander Universities network.

Santander Universities Global Division

- 990 co-operation agreements with universities in 17 countries
- 4,455 academic, financial and technological projects funded
- 5.4 million Santander 'Smart Cards' in 250 universities
- 21,799 scholarships and grants
- 117 million Euros of funding to higher education institutions



Entrepreneurship awards

July saw the launch of the first Santander Universities Entrepreneurship Awards in the UK to celebrate the active entrepreneurial focus of the British higher education sector. Santander Universities' partners were invited to submit their best entrepreneurial student projects to the Awards.

A gala dinner took place at the Spanish Embassy in London and among the attendees distributing the awards to the winning students were Emilio Botín, Ana Botín, CEO, Santander UK and David Willetts, Minister for Universities and Science.

Student enterprise Radfan from Newcastle University was awarded the first prize in the postgraduate category for their innovative idea for a more efficient central heating radiator device that can reduce bills and energy waste. Royal Holloway University of London were the undergraduate winners for Jottify – an online community that allows people to share, discuss and sell their individual writings.

Times Higher Education Awards

Santander Universities sponsored the Times Higher Education Awards for the second year in 2011. The awards were held in London and over 1,000 members of the higher education sector attended. Presented by Welsh actor and comedian Rob Brydon, the event saw the University of Sheffield awarded the prize for University of the Year 2011. Lord Burns, Chairman of Santander UK handed the accolade to the winners.



Environment

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 environmentally responsible management practices and operational procedures in order to reduce the overall impact of the business.

Environmental governance

An Environmental Management System (EMS) was established in 2010 for our head office building in London and provides a framework for defining responsibilities and processes in relation to waste, energy use, water, travel and supply chain management. An EMS working group of internal stakeholders meets quarterly to discuss the impacts and outcomes of the EMS and take responsibility for addressing issues.

The EMS has been instrumental in helping us to achieve a good standard of environmental management and in 2011, in recognition of the progress made in establishing responsible management practices and operation procedures, our head office achieved ISO14001 accreditation. Due to the success of the EMS implementation at Triton Square, this model will be rolled out across other key buildings throughout the UK in 2012.

Carbon Reduction Commitment Energy Efficiency Scheme

Santander UK falls within the government's mandatory Carbon Reduction Commitment (CRC) scheme which commenced in April 2010. The system is the UK's climate change and energy saving initiative aimed at improving energy efficiency and cutting emissions in large public and private sector organisations. 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.

In 2011 we submitted an energy consumption report for the scheme's first reporting period of April 2010 to March 2011. The first CRC performance league table was published by the Environment Agency in November ranking participants in terms of their early action to manage their overall energy consumption. Santander ranked 238 out of 2,100 participating companies.

Utilities management

Energy efficiency

In 2011 we switched to a new supplier and the energy used to power the majority of our premises included electricity generated from 100% renewable sources. Biomass is fuel or energy derived from plant material, vegetation, or agricultural waste and switching to this greener energy source reduced carbon emissions from electricity by 64%.

Our consumption of oil significantly increased in 2011, mainly attributable to our data centres at Bletchley and Shenley Wood. This reflects the large scale systems infrastructure changes that have taken place throughout the year, requiring the generators at these sites to run for extended periods of time.

During the year we invested in new energy efficient equipment to help us reduce energy consumption across our estate:

- 1,039 inspections were carried out across our retail network to assess the efficiency of the current Heating, Ventilation & Air Conditioning (HVAC) and lighting systems. As a result 117 branches were fitted with new HVAC systems incorporating energy efficient controls and 86 branches had new energy efficient lighting schemes and controls installed in the year.
- a 're-lamp' programme which replaced inefficient lamps saw a further 336 branches receive new energy efficient versions. This programme will be reviewed every three years to ensure the most efficient lamps are installed and continue to help to further reduce energy consumption in our branches.

Following a tender process in 2011, UPL (Utility Partnership Limited) will be our new combined energy and specialist services supplier in 2012. This centralised approach will help us to track and manage our environmental impact more accurately and provide us with consolidated reporting streams to monitor our energy consumption performance from building to group level. In 2012 this more detailed management information will enable us to target specific properties to reduce consumption levels, and help us deliver the Santander Group target of a 7.5% reduction in carbon emissions by 2013.



Regulatory changes

In response to the new greenhouse gas regulatory requirement, we began recording 'F Gases' and their safe disposal during the year. F Gases are fluorinated greenhouse gases which can escape from air conditioning systems. They are a powerful contributor to global warming when released into the atmosphere. We will begin reporting on these in 2012.

Water usage

Our consumption of water is limited given the nature of our operations, some 322,000 m³, for employees, facilities and heating/cooling use. There was a negligible reduction of 1% in 2011 compared with 2010.

Green financing

During 2011 the Global Banking & Markets division played a prominent role as a key provider of finance in the UK towards the development of over 570 MW of new energy generation facilities across a range of non-fossil fuels including offshore wind farms and solar photovoltaic technology.

The Corporate Banking Renewable Energy Team provided project finance for two transactions supporting the installation of solar PV panels on around 2,000 domestic properties. This included a loan facility to TGHC Ltd in 2011 which will allow them to install and operate around 1,500 rooftop solar panel systems on private residential properties across the South East of England. Householders will receive the electricity generated from the solar panels fitted to the roof of their homes for no capital outlay, helping to offset the rising cost of electricity prices.

Waste and resources

In 2011 the amount of waste produced at Santander reduced by 13% and the amount we recycled increased by 9% to 88%.

This increase is a result of our head office and retail waste management suppliers implementing improved processes for diverting waste to material reclamation facilities - specialist plants that receive, separate and prepare recyclable materials through a Dry Materials Recovery process (DRM).

Our waste contracts require our suppliers to meet targets to reduce landfill waste and DRM processing enabled us to improve our landfill diversion to recycling ratio by 13%.

Paper usage

We use a relatively significant amount of paper as part of our every day business, around 6.5m kg, through head office printing, photocopying, stationery supplies and customer marketing literature.

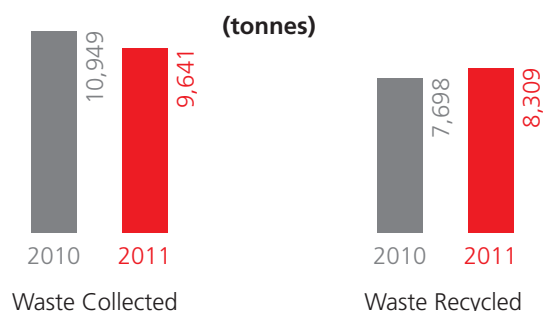
Paper usage increased by 17% in 2011, primarily due to improvements in our data collection. (Head office printing and stationery items that were produced internally by Alliance & Leicester did not migrate to Santander's print suppliers until the second half of 2010.)

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

Responsible catering

Our head office catering services are provided by Eurest. Their Sustainable Sourcing Strategy includes full traceability of products to ensure that sustainability, ethical and safety standards are achieved. The company supports British sourcing, working with farmers and growers to use local and regional produce. Fairtrade, Thirsty Planet and Rainforest Alliance products are also sold via Autobar vending machines in our head office buildings.

Waste information





Business travel

In October 2011 we reviewed our corporate travel business provider and launched a new online travel system with Capita. The system now provides average carbon emissions on transport options and routes, to encourage staff to make more environmentally friendly choices when planning trips.

Fewer business miles were travelled in 2011, with an overall reduction of 3%. There was an 18% decrease in domestic air travel which reflects the increased use of telephone, video conferencing and telepresence facilities to conduct meetings and more car sharing by staff. Increased business activity in Europe, particularly for Santander Global Banking & Markets, led to a 17% increase in European air travel.

The Cycle2Work scheme that was launched in 2011 helps staff to purchase a bike for travelling to and from work. And the new company car scheme now offers a range of vehicle models specifically chosen for their lower CO₂ emissions.

Telepresence & Video Conferencing

Nine head office buildings have telepresence facilities and during the year staff were encouraged to have 'smarter meetings' and use telephone, video conferencing and telepresence facilities rather than travel. Three times as many meetings were held using telepresence technology this year compared to 2010.

Employee engagement

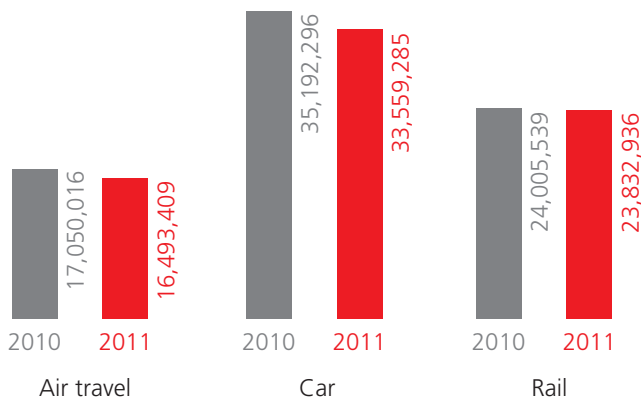
During 2011 there was a strong focus on educating our employees about the impact our business has on the environment. A series of themed 'Go Green' campaigns and roadshows were run by Santander Global Facilities (SGF) to engage staff and encourage them to adopt more environmentally friendly behaviours.

The 'Reduce, Reuse, Recycle', 'Greener Travel' and 'Energy Saving' campaigns used internal communications tools to highlight simple changes staff could make such as switching to two-side printing to reduce paper, shutting down PCs to save energy, and using video conferencing to hold meetings to reduce business travel.

Go Green roadshows were organised at our offices in Sheffield, Newcastle, Stockton-on-Tees and Belfast. These live events encouraged staff to take part in environmentally themed games and competitions, including testing their fuel efficiency on a driving simulator and lighting electrical items by pedalling energy generator bikes.

And we launched a new intranet site dedicated to environmental news and information. The 'Village Green' is a website where staff can find out more about the Go Green campaign and what Santander is doing to become a greener company, as well suggest ideas or write blogs to share their environmental views.

Business Travel (km)



Environment Champions

In 2011 we launched the Green Club environment champions scheme for staff who volunteer to be involved in Santander's environmental activities. 132 staff signed up to become champions during the year to promote our environment campaigns and deliver Go Green messages to their colleagues.



Suppliers

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

In 2011 we spent just under £1.9 billion with 2,100 external suppliers and intra-group companies, to purchase the goods and services we need to run the business.

Key areas of spend

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

Responsible purchasing

In our purchasing activity we aim to treat potential and current suppliers fairly. To do this we have a clear Cost Management & Procurement Policy and process.

Compliance with the Policy is enforced so that all significant purchases from suppliers (including intra-group companies) are managed in line with it. Key points are:

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

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

- Formal 'Request for Proposal' documents that follow a prescribed format
- A controlled process for managing the proposals received from suppliers to prevent any supplier getting an unfair advantage, including scoring of suppliers' proposals
- Business manager sign-off on the shortlist of suppliers

- The use of electronic sourcing whenever possible to minimise subjectivity
- Regular contract reviews
- Standard documentation and approval processes for strategies and awards

We require all staff negotiating with suppliers to abide by our Manual of Conduct in Supplier Relationships that includes the need to be professional and unbiased in all dealings, to avoid conflicts of interest and to maintain the confidentiality of information.

Improving payment processes

During 2011 we worked with our suppliers to improve the clarity and consistency of our ordering and invoicing processes, including moving to issuing purchase orders in nearly all cases, and to speed up payments to them, helping them to consolidate invoices. We also helped employees involved in sourcing to understand the process fully and to act promptly at each stage.

Independent figures (from Experian) show that the result of these actions has been a very significant improvement in payment performance during 2011 from 26 days beyond terms in January to 9 days beyond terms in December. This equates to three days longer than the industry average in December 2010 to 16 days shorter than the average by December 2011.

CSR and our suppliers

We aim to work with suppliers who 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 follow the principles of our CSR Protocol, where relevant. The protocol is based on the UN Global Compact and covers human rights, labour standards, environment and anti-corruption. The Santander Group is a signatory to the Global Compact.



Key data

Customers

| | 2011 | 2010 |
|-------------------------------|------|------|
| Number of customers (million) | 25 | 25 |

Employees

| | | |
|---|--------|--------|
| Total employees ¹ | 26,194 | 24,624 |
| Total female employees | 15,273 | 14,687 |
| Total male employees | 10,921 | 9,840 |
| Total full-time employees | 22,533 | 20,956 |
| Total part-time employees | 3,663 | 3,668 |
| Total ethnic minority employees ² | 2,078 | 1,913 |
| Total employees aged over 50 | 3,562 | 3,198 |
| Average days absent per employee | 7.7 | 7.8 |
| Employee turnover (%) | 15.4 | 13.8 |
| Average length of service for all employees (years) | 7.66 | 7.74 |

Learning

| | | |
|--|---------|---------|
| Total number of training days | 113,045 | 124,032 |
| Average number of training days per employee | 4.63 | 5.16 |
| Average invested in training per employee (£) | 434 | 390 |
| Staff who have undertaken some element of learning (%) | 96.5 | 95.7 |
| Staff who have undertaken face-to-face learning (%) | 31.6 | 34.3 |
| Staff who have undertaken online learning (%) | 96.4 | 95.5 |

Health and Safety

| | | |
|---|-----|-----|
| Minor accidents | 252 | 246 |
| Accidents resulting in over 3 day absence | 2 | 2 |
| Major accidents | 4 | 11 |

1. Total number of Santander UK, Santander Group UK-based employees and Santander UK overseas employees, at 31 December 2011, on a full-time equivalent basis. Male/female, full-time/part-time and 50+ breakdowns use an assumption for 47 overseas-based FTE, as profile data is not available. All other data does not include the overseas employees.

2. Based on 13,446 FTE who completed the voluntary self-declaration option on profile monitoring forms.

Communities

Areas of support

| | | |
|--|--------------------|--------------------|
| Education and training | £7,503,892 | £5,913,720 |
| Financial capability | £1,240,811 | £1,212,081 |
| Communities and SMEs | £2,455,182 | £1,721,842 |
| Relief of suffering | £1,604,530 | £1,147,275 |
| Other causes | £428,571 | £112,453 |
| Total value of community investment | £13,232,986 | £10,107,371 |

Communities continued

| | 2011 | 2010 |
|-----------------------------|------------|------------|
| Santander Foundation | | |
| Matching staff fundraising | £1,844,000 | £1,590,979 |
| Community donations | £1,065,601 | £1,322,592 |
| Local branch donations | £1,128,498 | £1,169,830 |
| Number of donations | 1,987 | 1,886 |
| Volunteering | | |
| Community Days projects | 119 | 88 |
| Total number of volunteers | 1,961 | 1,279 |
| Value of volunteering time | £146,930 | £99,840 |

- 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.

Environment

| | | |
|---|-------------------|-------------------|
| Fuel sources | | |
| Electricity - Green Biomass (MWh) | 115,364 | - |
| Electricity - Brown (MWh) | 70,983 | 189,023 |
| Gas (MWh) | 42,257 | 38,376 |
| Total energy use (MWh) | 228,604 | 227,399 |
| Oil (Litres) | 74,393 | 42,820 |
| CO₂ emissions from fuel (tonnes) | | |
| Electricity - Green Biomass | 0 | - |
| Electricity - Brown | 38,286 | 101,951 |
| Gas | 7,811 | 7,096 |
| Oil | 197 | 113 |
| Total CO₂ released | 46,293 | 109,690 |
| CO₂ released per FTE | 1.77 | 4.45 |
| Resources | | |
| Waste Collected (tonnes) | 9,641 | 10,949 |
| Waste Recycled (tonnes) | 8,309 | 7,698 |
| Waste Recycled (%) | 88 | 70 |
| Paper (Kg) | 6,560,505 | 5,621,016 |
| Water (m ³) | 321,913 | 325,961 |
| Business travel (km) | | |
| Air travel – domestic | 5,796,072 | 7,100,571 |
| Air travel – short haul Europe | 6,903,990 | 5,899,907 |
| Air travel – long haul International | 3,793,347 | 4,049,538 |
| Car | 33,559,285 | 35,192,296 |
| Rail | 23,832,936 | 24,005,539 |
| Total | 73,885,630 | 76,247,851 |
| CO₂ emissions from business travel (tonnes) | | |
| Air travel – domestic | 1,080 | 1,327 |
| Air travel – short haul Europe | 730 | 624 |
| Air travel – long haul International | 467 | 500 |
| Car | 6,796 | 7,561 |
| Rail | 1,273 | 1,282 |
| Total | 10,346 | 11,294 |
| CO₂ released per FTE | 0.39 | 0.46 |

- 2010 figures re-stated to reflect actual readings rather than estimated figures.
- Conversion Factors are based on October 2011 DEFRA / DECC's Green House Gas Company Reporting Document. 2010 CO₂ emissions data has been re-stated using 2011 conversion factors.



GRI Indicators

GRI Content Index

STANDARD DISCLOSURES: PROFILE

| GRI indicator | Page Ref / Resource | Notes |
|--|---------------------|--|
| 1. Strategy and Analysis | | |
| 1.1 Statement from the senior decision-maker of the organisation | 4 | |
| 2. Organisational Profile | | |
| 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 | 7 | |
| 3. Report Parameters | | |
| 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 | Back page | |
| 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 | |
| 4. Governance, Commitments and Engagement | | |
| 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 | 8 | |
| 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 |
|--|---------------------|---------------|
| Economic | | |
| 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 |
| EC8 Development and impact of infrastructure investments and services for public benefit | 10-12 | |

STANDARD DISCLOSURES: PERFORMANCE INDICATORS continued

| GRI indicator | Page Ref / Resource | Notes |
|--|---------------------|--|
| Environmental | | |
| Materials | | |
| EN1 Materials used by weight or volume | 27 | |
| Energy | | |
| EN3 Direct energy consumption by primary energy source | 26 | |
| EN5 Energy saved due to conservation and energy efficiency improvements | 26 | |
| EN6 Initiatives to provide energy-efficient or renewable energy-based products and services | 27 | |
| Water | | |
| EN8 Total water withdrawal by source | 27 | Water source: mains |
| Emissions, effluents and waste | | |
| 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 | 26 | |
| EN22 Total weight of waste by type and disposal method | 27 | |
| EN26 Initiatives to mitigate environmental impacts of products and services | 27 | |
| Compliance | | |
| EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | - | No violations |
| Transport | | |
| EN29 Significant environmental impacts of transporting members of the workforce | 28 | |
| Social: Labour practices | | |
| Employment | | |
| LA1 Total workforce by employment type, contact and region | 30 | |
| LA2 Total number and rate of employee turnover by age group, gender and religion | 30 | |
| Labour/management relations | | |
| LA4 Percentage of employees covered by collective bargaining agreements | - | All employees below director level |
| Occupational health and safety | | |
| LA7 Rates of injury, occupational diseases, lost days and absenteeism | 30 | |
| Training and education | | |
| LA10 Average hours of training per year per employee by category | 30 | |
| LA11 Programs for skills management and lifelong learning that support the continued employability of employees | 18 | |
| LA12 Percentage of employees receiving regular performance and career development reviews | 18 | |
| Diversity and equal opportunity | | |
| LA13 Composition of governance bodies and breakdown of employees per category according to age, gender, minority and other indicators of diversity | 30 | |
| Social: Society | | |
| Community | | |
| SO1 Percentage of operations with implemented local community engagement, impact assessments and development programme | 22 | All UK operations covered by community programme activities. |
| Public policy | | |
| SO6 Total value of financial and in-kind contributions to political parties, politicians and related institutions | AR | No political payments made |
| Social: Product responsibility | | |
| Product and service labelling | | |
| 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 PLC CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2011

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS United Kingdom Ltd was commissioned by Santander UK plc to conduct an independent assurance of the Corporate Social Responsibility (CSR) Report 2011. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and 2011 data in accompanying tables, contained in this report.

The information in the CSR Report 2011 of Santander UK plc and its presentation are the responsibility of the directors and the management of Santander UK plc. SGS United Kingdom Ltd has not been involved in the preparation of any of the material included in the Santander UK plc CSR Report 2011.

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

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

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

The assurance comprised a combination of pre-assurance research, interviews with relevant employees at the Head Office in London and 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 plc, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

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



VERIFICATION/ ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the verified information and data contained within the CSR Report 2011 is accurate, reliable and provides a fair and balanced representation of Santander UK plc's sustainability activities in 2011.

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 G3.1 (2011) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

In our opinion, the Santander UK plc CSR Report 2011 meets the content and quality requirements of the Global Reporting Initiative G3 Version 3.1 Application Level C+.

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

- the inclusion of, and linkage of performance to, the organisation's medium and long term sustainability goals.
- stakeholder engagement carried out specifically for the report development.
- development of a framework for identifying materials issues from stakeholder engagement

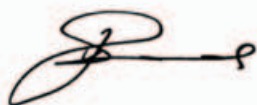
Standard Disclosures – All the standard disclosures required for reporting at an application level C+ were included or referenced in the report.

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

Santander UK plc have built a solid base for reporting over the past 12 years and it is recommended that reporting is taken to the next level by using application level B+ for their CSR 2012 report and consider evaluation against AA1000AS.

Signed:

For and on behalf of SGS United Kingdom Ltd



Jan Saunders
UK Systems and Services Certification Business Manager
May 2012

WWW.SGS.COM

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

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