

Tax Policy Guidelines

Santander Group has approved a Tax Policy in which tax risk, the principle governing its management and control, the governance applicable to the tax function and the roles and responsibilities contained therein are defined. Also, this policy discloses the tax strategy approved by the Board of Directors of Banco Santander, S.A., establishes common action principles, guidelines and recommendations in relation to tax matters and disseminates the catalogue of special tax risk operations defined by the Board of Directors and its governance.

This document extracts the general guidelines detailed in the mentioned policy.

- *Tax Strategy*

As a taxpayer and as the parent company of a group of entities resident in Spain, Banco Santander, S.A.'s tax strategy comprises the principles governing its actions in tax matters. These principles, which are aligned with the OECD Guidelines for Multinational Enterprises in tax matters, are published in the corporate website, in the section where different sustainability policies applicable to the Group can be found ([see Tax Strategy](#)).

The most important elements in the tax strategy are the obligation to:

- Meet our legally required tax obligations, reasonably interpreting in all cases the applicable regulations in line with the spirit and purpose of the latter and being taxed according to the true legal nature and economic substance of the events, acts or business activities undertaken.
- Ensure transparency, and not use of opaque structures for tax purposes.
- Cooperate with the competent Tax Administration and provide complete and truthful information as required by that Administration.
- Endeavor to establish a cooperative relationship with the Tax Administration, based on the principles of transparency and mutual trust.

The principles that govern the compliance of the tax obligations of the different entities that make up the Group must be aligned with the tax strategy approved by Banco Santander, notwithstanding any adaptation to the peculiarities of the tax regulations in each of the jurisdictions where such entities operate. In any event, the subsidiary entities must comply with the laws and tax regulations of the countries in which they operate, cooperate with the authorities and provide the information that may be required.

- *Principles governing the tax risk management and control framework of the Group*

Tax risk can be defined as the probability of the Tax Authorities issuing an administrative decision in the discharge of their functions which has an impact on the Group's net worth. Therefore, tax risk is identified with the risk of complying with tax obligations, without prejudice to its relationship with operational risk, risk in financial reporting and reputational risk. In this sense, the leading role played by large tax-payers such as the Group in the application of the tax system may affect risks of this nature as it can influence how the Group is perceived by public opinion, its customers, investors and other stakeholders, including the different tax authorities.

Tax risk management and control framework in Banco Santander and the Group's entities shall be developed through the procedures or documents detailing the processes and activities comprising the tax function and should be aligned with the tax strategy of the Group and the other principles established in the Tax Policy.

- *Roles and responsibilities of the tax advisory function*

The mission of the tax advisory function is to supervise compliance with the Group's tax obligations, in accordance with the best tax practices. The ultimate purpose is to ensure an adequate prevention and reduction both in tax risk and reputational risk, so that greater legal and economic certainty is created for the Group and its shareholders.

Within the structure of the Group, the roles and responsibilities of the local tax advisors are distinguished from the ones of the corporate function of tax advisory.

The local tax advisory units have, among other responsibilities, the definition of tax criteria, the support in management and compliance of the main taxes, as well as the interlocution with Tax Administrations.

The corporate tax advisory area is, among others, responsible for ensuring compliance with the principles that comprise the tax strategy and that all guidelines and recommendations applicable across the Group are followed.

The corporate tax advisory area is also responsible for reporting to the Board of Directors of Banco Santander, S.A. on the tax policies applied in the Group, at least prior to the drawing-up of the annual accounts and the filing of the Corporate Tax return, in compliance with the commitments acquired with the adherence to the Code of Best Tax Practices approved in July 2010 by the Plenary of the Large Businesses Forum constituted within the Spanish Tax Administration. Likewise, in accordance with the provisions of the Annex to this Code approved in November 2015, it corresponds to the corporate tax advisory function elaborating the Transparency Report that is presented annually to the Tax Administration.

- *Catalogue of special tax risk operations defined by the Board and its governance*

The Board of Directors of Banco Santander, S.A., in the exercise of powers that cannot be delegated, approves the investments or transactions of any kind that, due to the large amount or special features thereof, are strategic in nature or entail a special tax risk

The tax policy brings together the catalogue of operations that the Board considers may entail special tax risk, taking into account the OECD tax international standards. A special tax risk will not be deemed to exist in those cases in which Administration or Courts criteria are established.

It is also responsibility of the Board, following a report from the Audit Committee, the authorisation for the creation or acquisition of shareholdings in entities resident in countries or territories that have the status of tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, might undermine the transparency of the Company and its Group.

The owner of the Tax Policy is the board of directors of Banco Santander, S.A. It is reviewed periodically as a continuous improvement process and made available to the subsidiaries comprising the Group as a reference document.