

Tax Policy Guidelines

The Board of Directors of Banco Santander, S.A. 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. 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*

The tax strategy is approved by the Board of Directors of Banco Santander, S.A. and establishes common action principles and guidelines in relation to tax matters that are applicable to the entire Group. These principles 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, avoiding the use of opaque structures for tax purposes.
- Cooperate with the competent Tax Administration and provide them with the required information.
- Promote a cooperative relationship with the different Tax Administrations with which the Group is related, based on the principles of transparency and mutual trust.

The subsidiary entities of the Group must respect the general principles that make up the tax strategy. 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.

Likewise, members of the boards of directors and Santander Group employees, as persons subject to the General Code of Conduct, must avoid any practice that involves the unlawful evasion of taxes and observe the principles that form part of the Group's tax strategy. Any act or action that contravenes the provisions of this strategy may result in a breach of the Code and be brought to the attention of the whistleblowing channel regulated therein.

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

Tax risk is the risk arising from non-compliance or interpretation of tax regulations, which may result in penalties, fines or other economic consequences. Tax risk may also determine the existence of operational risk events to the extent that they are due to

failures in internal processes, personnel and systems or from external events. Finally, the leading role played by large tax-payers such as the Group in the application of the tax system may also affect reputational risk as it influences the perception of the Group by public opinion, its customers, investors and other stakeholders, including the different tax authorities.

The tax risk management and control system (tax compliance system) is part of the strong risk culture existing in the Group. This system should be developed through the appropriate processes or activities that make up the tax function. They must be duly documented and, in any event, aligned with this policy and, in particular, with the tax strategy and its principles. These procedures form part of the Group's Internal Risk Control System, being duly assessed and certified.

- *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 of tax, operational and reputational risks, 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 approved by the Board of Directors of Banco Santander, S.A.

The corporate tax advisory area is also responsible for reporting to the Board of Directors of Banco Santander, S.A., after reporting to the Audit Committee, 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 special tax risk operations.

The tax policy includes the catalogue of operations that the Board considers may entail special tax risk. 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 non-cooperative jurisdictions, 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 and made available to the subsidiaries comprising the Group as a reference document.