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# Sustainability Report 2011



## Report scope

This sustainability Report, the tenth annual document published by Banco Santander on its Corporate Social Responsibility commitments, covers the period between January 1 and December 31, 2011. Since 2003, the Report has been verified by Deloitte S. L., an independent firm which also audited the Group's financial statements in these years.

The report covers the Bank's activities in Continental Europe, the United Kingdom, the United States and Latin America. The economic information has been drawn up in accordance with Grupo Santander's definition for accounting purposes: social and environment information was prepared on the same basis, whenever it was available. Any limitations on the scope of the information or changes to the criteria applied with regard to the previous report are reflected in the corresponding section of the report and in the table of performance indicators of the Global Reporting Initiative (GRI).

## International standards

As in previous years, in drawing up this Report, Santander has taken into account current regulations, guidelines and recommendations by benchmark international organisations such as the Global Reporting Initiative (GRI), Global Compact and AccountAbility AA1000. It has also included relevant information for socially responsible investment indices (*FTSE4Good* and *DJSI* and rating agencies (Standard & Poor's, Eiris, Vigeo and ISS Europe, among others).

## Process for drawing up the report

A materiality study was conducted prior to the preparation of this sustainability Report. Stakeholders material to the organisation were identified, and fluid dialogue was maintained with them throughout the year. Details of this process, together with the results of the materiality study, are provided on pages 64 and 65 of this document.

## Communicating sustainability

The sustainability Report is the Group's main tool for communication of its corporate social responsibility activities. Its purpose is to inform the principles and actions of the Bank in the fields of higher education, the community, the environment, and its relations with stakeholders. It is complemented by the sustainability section of the corporate website, [www.santander.com](http://www.santander.com), our online report, and the sustainability reports published by the various countries in which the Group is present.

From pages 18 to 57 there are a series of chapters dealing with those matters identified as relevant and/or material according to the Bank's strategy and the expectations and demands of its stakeholders.





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# Message from the Chairman

Emilio Botín



Emilio Botín

“Banco Santander has made significant progress in sustainability, becoming a global leader”

In a very complex economic environment, Banco Santander has made significant progress in sustainability, becoming a global leader. To achieve this, it has been essential to be able to count on a well-defined strategy, centred on three principal elements: investment in higher education, the Bank's relationship with its community, in particular the environment and the local communities of which it is a part; and long-term commitment to its stakeholders. In 2011, Banco Santander invested EUR 170 million in corporate social responsibility projects.

Santander is convinced of the decisive role played by higher education in ensuring social and economic progress. For this reason, the Bank has made its commitment to universities the main focus of its sustainability strategy.

Santander wishes to contribute to the current process of transformation taking place in modern society, supporting the development of universities that are innovative, entrepreneurial, competitive and without boundaries.

Banco Santander's contribution to the world of universities is articulated through the more than 990 co-operation agreements that the Bank has entered into with universities around the globe.

In 2011, EUR 117 million was allocated to Santander Universities. This figure reflects the commitment made at the Second Meeting of Universia Rectors held in May 2010 in Guadalajara, Mexico, when we announced we would invest in 2011-2015 EUR 600 million to fund university projects and co-operation agreements targeting improvement in education, research and entrepreneurship.

The second component of Banco Santander's sustainability strategy is its relationship with its community, and in particular the communities in which we operate and protection of the environment.

Santander wants to provide its support for the economic development of the countries in which it is present, promoting the use of banking services and financial inclusion. In Latin America, the Bank carries out microcredit programmes, convinced that they make a direct contribution to sustainable development of the community as a whole. In addition, to ensure meeting of the United Nations Millennium Development Goals, Santander is providing support for children's education in countries such as Brazil, Mexico and Chile through initiatives involving participation by customers and employees.

In a similar manner, Banco Santander uses the Group's foundations to support the spread of art and culture.

In the area of environmental protection and conservation, Santander intends to play an active role in the fight against climate change. In recent years we have introduced strict controls on the Bank's consumption of inputs and on its emissions, implemented energy efficiency measures, and in 2011 we set up a climate change office. Furthermore, the Bank continues to make progress on the incorporation of social and environmental criteria in its financial operations, and the training in this area of its risk and business professionals.

The third element of our strategy concerns the Bank's relations with its stakeholders. The focus of the activity is, without doubt, the customer. The quality of service is one of the principal priorities.

Banco Santander is aware of the need to be close to the customer and to know its expectations. Some initiatives implemented throughout the year are the best reflection of it. This way, for example, in Spain and United Kingdom, Santander has helped to mitigate the impact of the crisis on certain groups like the particular customers and the small and medium size enterprises.

In the case of personal customers, in Spain the Bank offers a three-year grace period on mortgage principal repayments for customers experiencing financial problems. This is an exceptional measure, taken in response to the difficult times some of our customers are experiencing.

The Bank has also carried out various initiatives for companies, such as the Santander Grants programme for University Student Internships in SMEs in Spain, with an investment of EUR 9 million, which will enable 5,000 university students to take part in a paid internship programme in Spanish SMEs. In the United Kingdom, Santander is carrying out an important programme in support of SMEs in collaboration with the Government, with the aim of creating employment and generating growth.

In developing relations with our shareholders and investors, Santander has taken significant steps to ensure transparency through the holding of an *Investor Day*, when we outlined the Group's strategy for coming years, with one session dedicated exclusively to sustainability.

In addition, despite the difficult economic situation, Banco Santander has maintained a stable staff in its principal markets and continues betting for the best international talent, boosting for the formation and for the professional development of its 190,000 employees.

All these initiatives reflect our firm commitment to sustainability. We are aware of the significant challenges we will face in 2012, but I am sure we will be able to confront them ambitiously and successfully.



**Emilio Botín**  
CHAIRMAN



## Main figures

### Vision

A global bank

Santander is a large international financial group that seeks to provide an increasingly high return to its shareholders and satisfy the financial needs of its customers. To achieve this it has an important knowledge of the ten principal local markets in which it has presence and with corporate policies and global reach.

### Values

- ➔ **Dynamism:** initiative and agility in identifying and exploiting business opportunities before the competitors and flexibility to adapt to changes in the market.
- ➔ **Strength:** the robustness of the balance sheet and prudent risk management are the best guarantees of the capacity to grow and generate shareholder value in the long term.
- ➔ **Innovation:** constant search for products, services and processes that anticipate and satisfy customers' needs, enabling us to outperform our competitors in profitability.
- ➔ **Leadership:** our purpose is to be leader in all markets where Santander do business, founded on the best teams and permanent focus on customers and results.
- ➔ **Customer focus and quality of service:** the customer is the focal point of Banco Santander's strategy, which aspires to improve customer attraction, satisfaction and linkage through a wide range of products and services, as well as continuously improving the quality of service.
- ➔ **Professional ethics and sustainability:** over and above strict compliance with laws, codes of conduct and internal rules, Banco Santander's professionals are required to act on a professional way in line with the social and environmental commitment of the Bank.

# Key figures

## Balance sheet and income statement

In millions of euros

	2011	2010	% 2011/2010	2009
<b>Total assets</b>	1,251,525	1,217,501	2.8	1,110,529
Customer loans (net)	750,100	724,154	3.6	682,551
Managed customer funds	984,353	985,269	(0.1)	900,057
Shareholders' funds (after distribution of dividends) <sup>(1)</sup>	80,629	75,273	7.1	70,006
Total managed funds	1,382,980	1,362,289	1.5	1,245,420
Gross income	44,262	42,049	5.3	39,381
Net operating income	24,373	23,853	2.2	22,960
Results from continuing operations	7,881	9,129	(13.7)	9,427
Profit attributable to the Group	5,351	8,181	(34.6)	8,943

### Ratios (%)

Efficiency (with amortization)	44.9	43.3		41.7
ROE	7.1	11.8		13.9
ROTE <sup>(2)</sup>	10.8	18.1		21
ROA	0.5	0.8		0.9
Core capital (BIS II)	10	8.8		8.6
BIS II Ratio	13.6	13.1		14.2
Loan-to-deposit ratio <sup>(3)</sup>	117	117		135
Non-performing loan (NPL) ratio	3.9	3.6		3.2
NPL coverage	61	73		75

### Other figures

Number of customers (millions)	102.1	97.2	5.0	92.0
Number of shareholders (millions)	3.3	3.2	2.8	3.1
Number of employees	193,349	178,869	8.1	169,460
Number of branches	14,756	14,082	4.8	13,660

### Significant sustainability indicators

<b>Economic value generated<sup>(4)</sup></b>	43,719	42,083	-	40,575
<b>Distributed economic value</b>	21,394	22,509	-	20,153
Dividends <sup>(5)</sup>	1,837	3,330	-	4,122
Other operating costs	6,884	6,402	-	5,935
Personnel costs	10,326	9,330	-	8,450
Tax on profits and other taxes <sup>(6)</sup>	2,177	3,299	-	1,520
CSR Investment <sup>(7)</sup>	170	148	-	126
<b>Retained economic value</b> (Economic value generated less that distributed)	22,397	19,573		20,422

(1) In 2011, scrip dividend for May 2012 estimated.

(2) Return on the tangible capital.

(3) Includes promissory notes retail in Spain.

(4) Gross margin fitted by the earnings and losses of assets.

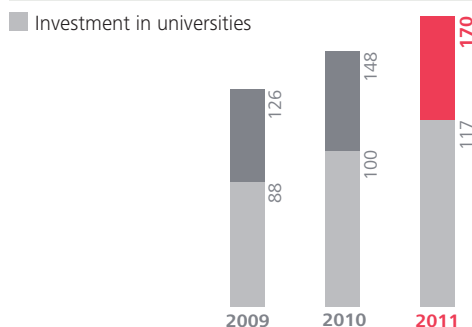
(5) Includes exclusively the dividends corresponding to 2011 in cash.

(6) Includes exclusively the expense for tax on Benefits and the taxes assessed in the exercise.

(7) Brute amounts before the fiscal effect.

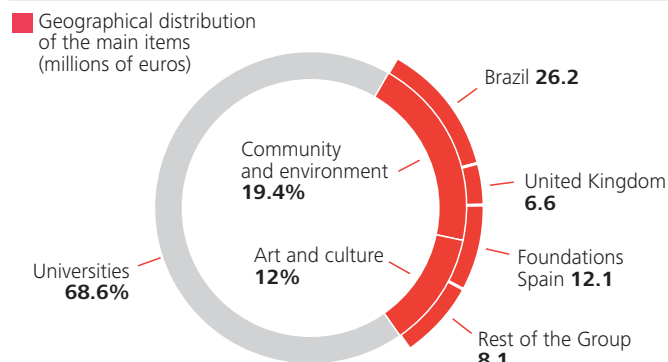
## Investment in corporate social responsibility

Millions of euros (brute amounts before the fiscal effect)



## Distribution of investment in corporate social responsibility

%



# Corporate governance

## Board of directors

### Banco Santander's corporate governance model

#### Equality of shareholders' rights

- The principle of *one share, one vote, one dividend*.
- No anti-takeover measures in the corporate by-laws.
- Encouragement to informed shareholder participation at Meetings.

#### Maximum transparency, particularly on remuneration.

#### A corporate governance model recognised by socially responsible investment indices.

- Santander has been included on the *DJSI* and *FTSE4Good* indexes since 2000 and 2003, respectively.

#### The board of directors is the body that approves the Group's corporate strategy for sustainability.

Full information on corporate governance is available on pages 48 to 76 of the 2011 annual report, the annual report on corporate governance, the report of the audit and compliance committee, and the report of the appointments and remuneration committee, all of which can be found at [www.santander.com](http://www.santander.com)

#### Number of meetings of the executive committee, the risk committee and the audit and compliance committee

Committees	2011	2010	2009	2008
Executive	59	55	56	59
Risks	99	99	99	102
Audit and Compliance	12	11	11	11
Total meetings	170	165	166	172

**General secretary and of the board**  
Mr Ignacio Benjumea Cabeza de Vaca



**Director**  
Mr Ángel Jado Becerro de Bengoa

**Director**  
Mr Luis Alberto Salazar-Simpson Bos



**Director**  
Mr Abel Matutes Juan



**Director**  
Mr Juan Rodríguez Inciarte



**Director**  
Ms Ana Patricia Botín-Sanz de Sautuola y O'Shea



**Director**  
Mr Rodrigo Echenique Gordillo



**Fourth vice-chairman**  
Mr Manuel Soto Serrano



### Board of Directors

Banco Santander's board of directors is the highest decision-making body, except for matters reserved for the general meeting of shareholders. It is responsible, among other things, for the Group's strategy.

Its functioning and activities are regulated by the Bank's internal rules and principles of transparency, efficiency and defence of shareholders' interests guide it. The board oversees compliance with the best international practices in corporate governance and closely involves itself in the Group's risks. In particular, the board, at the proposal of senior management, is the body responsible for establishing and monitoring the Bank's risk appetite.

The board composition is balanced between executive and non-executive directors, all members are recognised for their professional capacity, integrity and independence.

There were changes to the board in 2011. Mr Luis Ángel Rojo Duque, governor of the Bank of Spain between 1992 and 2000, died on May 24. He joined the board in 2005. In July, Mr Vittorio Corbo Lioi, chairman of the Central Bank of Chile between 2003 and 2007, joined the board as a non-executive director and in October Assicurazioni Generali S.p.A. (represented by Mr Antoine Bernheim), also a non-executive director, left the board after reducing its stake in the Bank.

On January 23, 2012, Mr Francisco Luzón López resigned as an executive director and executive vice-president responsible for the America division.

On the occasion of the next general shareholders' meeting, and if the board's proposal is accepted, Mr Antonio Basagoiti, Mr Antonio Escámez and Mr Luis Alberto Salazar-Simpson will cease to hold office as directors and Ms Esther Giménez-Salinas, rector of the Ramon Llull University, will be appointed as independent director to the board.



**Director**  
Mr Antonio Basagoiti  
García-Tuñón  
● ■ ▲

**First vice-chairman**  
Mr Fernando de Asúa Álvarez  
● ■ ▲ ▲

**Second vice-chairman  
and chief executive officer**  
Mr Alfredo Sáenz Abad  
● ■ ▲

**Director**  
Mr Antonio Escámez  
Torres  
● ■ ■ ▲

**Director**  
Ms Isabel Tocino  
Biscarolasaga  
●

**Director**  
Lord Terence Burns

**Director**  
D. Vittorio  
Corbo Lioi



**Chairman**  
Mr Emilio Botín-Sanz de  
Sautuola y García de los Ríos  
● ■ ▲

**Third vice-chairman**  
Mr Matías Rodríguez Inciarte  
● ■

**Director**  
Mr Guillermo de la Dehesa Romero  
● ● ■

**Director**  
Mr Francisco Luzón López\*  
● ■

**Director**  
Mr Javier Botín-Sanz  
de Sautuola y O'Shea

● Executive committee  
■ Risk committee

▲ Audit and compliance committee  
● Appointments and remuneration committee

■ International committee  
▲ Technology, productivity and quality committee

\* Resigned his position on the board January 2012

The board expressed its gratitude for the outstanding contribution made by the outgoing directors over the years they had formed part of it, highlighting the important executive responsibilities undertaken by several of them throughout their professional careers in the Bank.

With these changes, the size of the board is reduced from 20 directors at the beginning of 2011 to 16.

### Transparency and remuneration policy

Transparency for Banco Santander is vital for generating confidence and security among shareholders and investors, even more so at times of financial uncertainty and volatility such as today's.

In particular, the remuneration policy for directors and the Bank's senior management has transparency as the fundamental principle driven by the board for many years. The other two pillars are:

1. Involvement of the board, as, at the proposal of the appointments and remuneration committee, it approves the report on the remuneration policy for directors, as well as their remuneration and contracts and of those of the other senior members of management and the remunerations of the remaining managers of the identified staff.

The board submits to the shareholders' meeting on a consultative basis and as a separate item on the agenda the report on the remuneration policy for directors.

2. Anticipation and adapting to regulatory changes, given the importance that Santander has always attached to rigorous management of risk and a remuneration policy consistent with it.

Towers Watson, an independent expert, certified that Grupo Santander's remuneration policy was in accordance with the new regulatory framework.

### The board's remuneration in 2011

In 2011, the board agreed to reduce all directors' remuneration, for all items, by 8%.

The amount paid to its members for exercising their functions of supervision and collegiate decision-making has been reduced by 6% over 2010. This amount has been unchanged since 2008.

As regards executive directors, the board decided to maintain fixed remuneration for 2012 and reduce 2011 variable remuneration by an average of 16%.

Full details of director compensation policy in 2011 may be found in the report by the appointments & remuneration committee which forms part of Banco Santander's corporate documentation.

### The board in 2011

- Held 14 meetings, two of which were dedicated to the Group's global strategy.
- During 2011, the second vice-chairman and chief executive officer presented to the board eight management reports and the third vice-chairman, responsible for the risk division, presented reports on his area.
- Apart from revising the different units and business of the Group, the board has analyzed the liquidity situation, the self-evaluation of the capital and the Investor Day celebrated in September, among others.

# Banco Santander's business model



## The pillars of the business model

### Geographical diversification and model of subsidiaries

Means having a leadership position in 10 main markets.

### Efficiency

Means transforming cost savings into more value for customers and shareholders.

### Business focus

Means placing the customer at the centre of activity of the entire Bank.

### Disciplined use of capital and financial robustness

Means being one of the world's soundest banks, in terms of size and quality of shareholders' funds.

### Prudence in risk management

Means maintaining levels of non-performing loans and coverage better than the banking sector's average in the main geographical areas.

### Santander brand

Means having a strong and attractive brand which expresses the Group's identity and positioning.

United Kingdom **12%**

Germany **5%**

Poland **3%**

Spain **13%**

Portugal **2%**

Rest of Europe **2%**

# Santander and sustainability

Banco Santander defines sustainability as the undertaking of normal business activity consistent with contributing to the economic and social progress of the communities in which it operates, taking into account the impact of its business on the environment and fostering stable relations with its principal stakeholders.

Despite the difficult financial and economic environment, Santander has successfully faced up to the crisis by means of a clear strategy and a sustainable business model, based on:

- Commercial focus.
- A strong balance sheet and very disciplined use of capital.
- Unique geographical diversification.
- Prudent risk management and control.
- A policy of cost savings and efficiency.

This has been achieved at the same time as pursuing sound corporate governance focussed on sustainability, which combines ethical, social and environmental criteria, with a long-term vision.

In 2011, Banco Santander invested EUR 170 million in corporate social responsibility projects, 15% more than in 2010. Part of this growth is due to increased investment in higher education as a result of the international expansion of Santander Universities, and the inclusion of investment data corresponding to Sovereign Bank and Bank Zachodni WBK.

## International initiatives which Banco Santander participated in or joined

UN Global Compact

UNEP Finance Initiative

Equator Principles

Principles for Responsible Investment (PRI)

Carbon Disclosure Project

Banking & Environment Initiative

Wolfsberg Group

Roundtable on Responsible Soy Association

Forge Group

Brazilian Institute of Governance

State council of the Spanish government for social responsibility in business

Banco Santander's sustainability strategy revolves around three main elements:

- Supporting higher education, through Santander Universities, which in 2011 invested EUR 117 million, 16% more than in the previous year. This investment is carried out through education projects undertaken by the more than 990 universities with which the Bank has entered into cooperation agreements. Santander believes this alliance with universities represents the best way to support social and economic development and encourage sharing of knowledge, research, innovation and entrepreneurship.
- Fostering strong relationships between the Bank and its community, particularly through the preservation and protection of the environment, and support for local communities via numerous corporate and local programmes adapted to the social and economic realities of each country.
- Forging stable and lasting relations with its stakeholders:

**Shareholders and investors:** always striving for long-term value creation, as well as maximum informational transparency, continuous dialogue, and a focus on participation in the Group's future.

**Customers:** offering products and services adapted to their needs and risk profile together with a high-level of service quality, constant innovation and the development of socially responsible products.

**Employees:** training and development policies stressing knowledge, talent, diversity, and work-life balance.

**Suppliers:** fostering ethical and transparent relationships based on mutual respect.

## Sustainability committee

Banco Santander has a sustainability committee that oversees the integration of sustainability within its business model. It defines strategic corporate social responsibility plans for the Group and the Bank's sustainability policies, submitting them for the board's approval.

This committee is chaired by the CEO and comprises representatives of various business and support areas, such as Human Resources, Technology and Operations, Risks, Universities, and countries such as Brazil, local unit of reference in sustainability for the Group, with an international leadership in this field. The committee secretary is the head of sustainability, which forms part of the Communications, Corporate Marketing and Research division. This team is responsible for the management and fostering of sustainability throughout the Group, coordinating the various actions that are carried out.

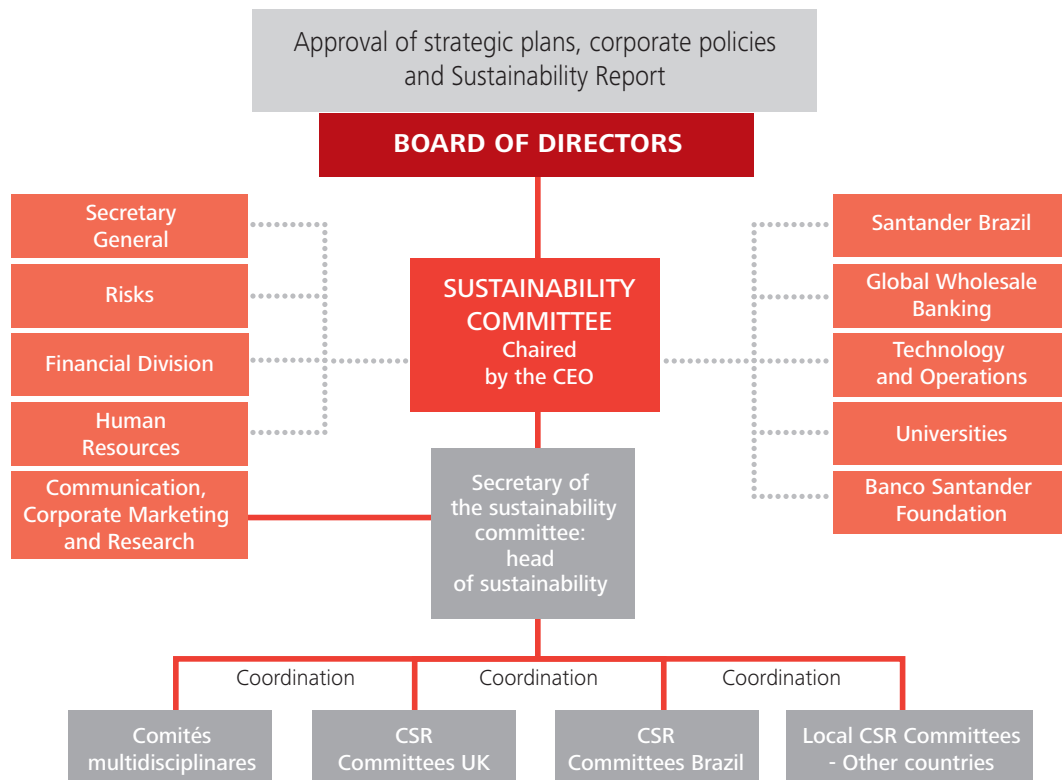
During 2011, the Bank has continued to make progress on the development of sustainability initiatives and the implementation of six strategic corporate projects approved by the committee in 2010. As part of the strategy for integrating sustainability in all areas of Banco Santander's activity, these projects are led and managed by the corresponding division:

- Integration and promotion of analysis of social and environmental risk in credit operations, led by the Risk division.
- 2011-2013 Energy efficiency plan: a three-year plan to reduce the consumption of electricity and emissions of CO<sub>2</sub>, led by the Technology and Operations division.

- Corporate plan for financial education: designed to improve financial knowledge and access to banking services, generating confidence and security in their use. Santander Universities leads this project, in association with its wide network of universities.
- Micro-lending: in countries such as Brazil, Chile and El Salvador, Santander has implemented a micro-lending programme to facilitate access to financial markets by the less privileged sectors of the community. The intention is to extend the programme to Mexico.
- Corporate volunteering programme: Banco Santander, through its Human Resources division, has set up the *Santander Committed Volunteers* programme.
- Full implementation of the United Nations Principles of Socially Responsible Investment by the Asset Management division, in particular in Santander Brazil and Santander Pensions Spain.

In addition, the board of directors approved, on a proposal from the sustainability committee, the corporate policy on human rights, which underlines the Bank's commitment to human rights above all in its relations with various stakeholders.

### Structure of the sustainability function in Grupo Santander



## Reputational risk management and regulatory compliance

Grupo Santander defines reputational risk as that linked to the perception of the Bank by its various stakeholders to which it relates as it carries out its business, and which could have an adverse impact on results or business development expectations. It includes legal, economic and financial, ethical, social and environmental aspects, among others.

Several of the Group's governance structures are involved in reputational risk management

### The risk committee (RC)

This committee is the responsibility of board, as part of its supervisory function. It defines the Group's risk policy.

As the maximum body responsible for global management of risk, the committee assesses, with the support of the division of the Secretary General, reputational risk in its sphere of activity and decisions.

### Corporate committee of commercialisation (CCC)

This committee, which is the maximum decision-making body for approving and monitoring products and services, is chaired by the Group's secretary general and integrated by representatives of the divisions of Risk, Financial Management, Technology and Operations, secretariat general, general intervention and control, Internal Auditing, Retail Banking, Santander Global Banking & Markets, Private Banking, Asset Management and Insurance.

The committee pays particular attention to adjusting the product or service to the framework where it is going to be sold and especially to ensuring that:

- Each product or service is sold by someone who knows how to sell it.
- The customer is given the necessary and adequate information.
- The product or service fits the customer's risk profile.
- Each product or service is assigned to the appropriate market, not only for legal or fiscal reasons, but also to meet the market's financial culture.
- When a product or service is approved the maximum limits for placement are set. They meet the requirements of the corporate policies of commercialisation and, in general, the applicable internal or external rules.

Local commercialisation committees (LCC), in turn, are created, which channel to the CCC new product approval proposals, after issuing a favourable opinion, and approve products that are not new and marketing campaigns.

In the respective approval processes, the marketing committees operate with a risk focus and from the double perspective of bank/customer.

The corporate commercialisation committee held 19 meetings in 2011 and analysed 203 new products/services.

### Global consultative committee (GCC)

The global consultative committee (GCC) is the advisory body for the corporate committee of commercialisation and comprises representatives of areas that contribute vision of regulatory and market risks. This committee meets every quarter and can recommend the review of products affected by changes, in markets, deterioration of solvency (country, sectors and companies) or by changes in the Group's vision of markets in the medium and long term.

### Corporate committee of monitoring (CCM)

A weekly meeting takes place as of 2009 to monitor products presided by the secretary general in which internal auditing, legal advice, compliance, customer attention and the affected business areas (with permanent representation of the commercial network) participate. Specific questions related to the commercialisation of products and services are raised and resolved.

The CCM held 42 meetings in 2011 where it resolved incidents and analysed information on the monitoring of products and services, at both the local level of retail banking in Spain as well as at the consolidated Group level.

### Corporate office of reputational risk management

Integrated in the corporate area of compliance and reputational risk, this office provides the corresponding organs of governance with the necessary information to: (i) adequately analyse the risk to be approved, with a two-pronged purpose: impact on the Bank and on the customer; and (ii) monitoring of products throughout their life cycle.

The office approved during 2011 68 products/services considered as not new and resolved 108 consultations from various areas and countries. The products approved by the office are successive issues of products previously approved by the CCC or the LCC, after having delegated this faculty in this office.

At the local level, reputational risk management offices are created, which are responsible for fostering the culture and ensuring that the functions of approval and monitoring of products are developed in their respective local sphere, in line with the corporate guidelines.

In 2011, the various reputational risk management offices monitored the approved products. The information is coordinated by the corporate office, which reports to the CCM.

In addition, in reputational risk matters, Grupo Santander has a compliance programme which is described in the appendix of the annual report.

### Prevention of money laundering and financing of terrorism

For Banco Santander, a system to prevent money laundering and the financing of terrorism is a strategic imperative. This system must be advanced and efficient, as well as constantly adapted to the latest international regulations, and the capacity to meet new techniques adopted by criminal organisations.



It should be noted that in 2011, no unit of the Group anywhere in the world was subject to corrective measures or sanctions issued by supervision or regulatory authorities as a result of non-compliance or weaknesses in the prevention of money laundering or the financing of terrorism.

The organisation to prevent money laundering and the financing of terrorism has three pillars: the central department for the prevention of money laundering (CDPML), executives in charge of prevention, and the analysis and resolution committee.

During 2011, the CDPML took steps to ensure complete adaptation of units to the rules in the third directive of the European Union, particularly regarding the requirement for the segmentation of customers according to risk in the contracting process and the establishment of due diligence differentiated on the basis of risk (reinforced, standard or simplified).

One of the Group's priorities in this sphere is to take the necessary steps so that all employees are aware of the requirements resulting from the prevailing regulations, by means of training actions.

During 2011, training courses on the prevention of money laundering were delivered to a total of 119,976 employees with a total of 146,911 hours of class.

### Main indicators of activity - 2011

Subsidiaries reviewed	172
Cases investigated	73,942
Number of reports sent to authorities	20,162
Employees trained	119,976
Training hours	146,911

### Offshore establishments

The Group's policy is not to create or acquire participations in special purpose vehicles or in entities domiciled in countries or territories regarded as tax havens without obtaining specific authorisation from the board - or when reasons of urgency make it advisable, the executive committee, subsequently informing the board - following a report from the audit and compliance committee, and always after due analysis of the specific circumstances and the justification of the timing of the measure.

The audit and compliance committee is duly informed by the various areas of the activities carried out and the results obtained by the Group's offshore branches and companies, and it supervises the internal control exercised on them in accordance with the Bank of Spain's recommendations in the 2003 report on Banking Supervision in Spain.

The committee receives detailed information on the Group's actions in accordance with its policy of reducing the number of units in tax havens as well as the review work performed by internal auditing and the compliance division. The conclusions of this review were satisfactory, although some improvement recommendations were made, together with a schedule for their implementation.

### Social and environmental risk

Social and environmental risk is a significant component of reputational risk management. Analysis of social and environmental risks is one of the objectives of Banco Santander's social and environmental policy.

The Bank has assumed the commitment to evaluate and take into consideration these risks in its project finance operations, granting loans only for those projects that can demonstrate adequate management of their social and environmental, therefore contributing to conservation of biodiversity, sustainable management of natural resources, prevention of pollution and adequate waste management, protection of the labour rights, health and safety of the community, and population displacement. In the chapter on environment a detailed explanation is provided of the actions implicit in compliance with this commitment.

Detailed information on risk management can be found on pages 144-203 of the 2011 annual report.

# Noteworthy Advances/Initiatives in 2011

- Start of Banco Santander energy efficiency plan.



- Headquarters of Banco Santander Brazil awarded LEED certification, in recognition of responsible energy consumption.

- Santander recognized as *The Greenest Bank in the World* by *Bloomberg Markets* magazine.

- Holding of the Sustainability Committee meeting: review, monitoring and evaluation of corporate projects.

- *First Santander Solidarity Marathon.*
- Launch of *Sustainable Santander* on corporate intranet

## January 2011

## February

## March

## April

## May

## June

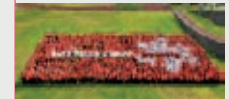
- Launch of the *Santander Committed Volunteers* programme.



- Training on social and environmental risks for corporate business and risk teams.

- Second edition of the Formula Santander international grants.

- Creation of the Banco Santander climate change office.
- Publication of the 2010 sustainability Report.



- *Fourth You are Santander Week.*
- Banco Santander becomes part of the SPAINSIF executive committee.

## Table of Banco Santander Corporate Social Responsibility Actions

Level of achievement: ● High ● Medium ● Low

	Aspects	Self-evaluation	Observations
<b>Corporate governance</b>			
	Shareholders' rights	● Equality of rights and informed participation at shareholders' meetings	
	Functioning and composition of the Board	●	Balanced Board, dedicated and professional
	Transparent information	●	Anticipating the highest standards
	Human rights	●	Corporate policy and awareness training
<b>Higher education</b>			
Universities	Support for higher education	●	Unique alliance with universities
	Grants programme	●	21,799 grants awarded at 800 universities
	First job	●	330,568 estimated new jobs via Universia
	Innovation	●	Fostering new technologies
	Transfer of knowledge	●	40 business incubator projects, which led to the creation of 400 university companies
<b>Environment</b>			
Community	Support for local communities	●	Social initiatives adapted to local circumstances
	Child Schooling	●	EUR 16.7 million invested in education programmes
	Microcredits	●	More than 250,000 micro-entrepreneurs, 12.7% more than in 2010
	Financial education	●	Approval of the corporate plan for financial education Launch of the financial education website
	Art and culture	●	Firm commitment to art and culture through the Group's foundations
Environment and climate change	Social and environmental risk analysis in lending	●	Applied in project finance, corporate banking and private banking in Brazil, and retail banking in Spain
	Financial products committed to protect the environment	●	Leaders in financing and promoting renewable energy in project finance and seed capital
	Climate change	●	Setting up of a climate change office Programmes for the recovery of degraded areas
	Energy efficiency plan	●	Control of environmental footprint footprint and reduction of CO <sub>2</sub> emissions
	Training and awareness	●	Campaigns for awareness and sensitivity

- 10th anniversary of Santander Microcréditos Brazil.



- Banco Santander, one of the 50 greenest global brands according to Interbrand/Deloitte.



- Annual renewal of presence in *DJSI* and *FTSE4Good*.
- *Investor Day 2011*. Session dedicated to sustainability

- Banco Santander participates at annual UNEP-FI and Equator Principles congress in Washington.

- Banco Santander Brazil granted recognition as the 17th enterprise in the world and the 5th bank with the best environmental management company in the world by *Newsweek's Global 2011 Green Rankings*.

- Opening of a branch in the Vila Cruzeiro shanty-town



## July

- Solidarity Goals Santander in support of children's education in Latin America.

## August

- Implementation of forbearance for mortgage loan repayments by customers experiencing economic difficulties in Spain.

## September

- Third *You are Santander* marathon in the United Kingdom
- Presentation of the youth employment scheme in SMEs for 5,000 university students in Spain.

## October

- Campaigns and ads for donations to combat famine in the Horn of Africa.

## November

- Participation and sponsorship by Banco Santander at the 5th World Microcredit.
- Organisation of the *Corporate Governance Conference*.

## December 2011

- Inauguration of the new data processing centre for the Group in Spain: international leader on energy efficiency

Stakeholders	Aspects	Self-evaluation	Observations
Shareholders and Investors	Sustainable stock market indexes	●	Return on shares above the sector's average Presence in <i>DJSI</i> and <i>FTSE4Good</i>
	Investor relations	●	<i>Investor Day</i> : Maximum transparency and special session on sustainability
Customers	Quality of service and customer satisfaction	●	88.2% satisfaction among Group customers Meta 100 plan expansion
	Best practices and knowledge management	●	Retail banking corporate school
	Products and services for special groups	●	Financial inclusion and other products
	Socially responsible investment	●	40% of Group's assets managed according to PRI criteria
Employees	Stable employment	●	Payroll stability 97% of the Group's contracts are permanent
	Training	●	7,259,861 training hours throughout the Group Total investment in training EUR 112.7 million
	Supporting talent	●	Corporate policies for development, assessment and remuneration
	Equality and conciliation	●	54% of the Group employees are women 33% of the women in leadership positions
	Prevention of risk at work	●	Santander health model Periodic evaluations of the work place
	Corporate volunteers	●	Corporate volunteer programme: 25% of Group payroll volunteer
Suppliers	Equality of opportunities	●	Unified approval process
	Transparent purchasing process	●	4,528 award negotiations with awardees
	Social and environmental requirements in products and services	●	Supplier audit and monitoring

## Dialogue with stakeholders

One of the key components of Banco Santander's sustainability policy is the relationship it maintains with all its stakeholders.

Using various communication channels, Santander establishes a fluid and constant dialogue with its shareholders, customers, employees, suppliers, and society in general.

In addition, in the field of sustainability, every year Santander introduces new consultation processes so as to determine the opinions and expectations of each group. Their replies and opinions enable the Bank to establish those aspects that are of greatest importance to them.

## New technologies

In line with its aim to develop new channels for communication with its stakeholders, over the course of 2011 Banco Santander has set up official profiles on social networks in almost all the countries where it has a presence. These profiles also contribute to reinforce business objectives such as the securing of customer loyalty and improving of customer service. On Facebook, Twitter and YouTube, the three networks in which the Bank has its greatest presence, Santander figures among the most outstanding institutions at global level, as well as in each of the countries where it is present. At the end of 2011, there were more than 900,000 followers on the Group's official profiles. There have been nine million visits to corporate videos on YouTube, five times the level recorded one year earlier.



## Dialogue channels

### Shareholders

2011 Annual general shareholders' meeting	723 attendees/274,517 shareholders voted/delegated their vote
Shareholder attention offices	Presence in 8 key countries
Shareholder telephone lines	232,430 enquiries answered 311,157 alerts sent by sms
Shareholder mailbox	234,065 shareholders subscribed 51,616 e-mail handled 677,060 written communications answered
Shareholder forum	206 forums held
Quarterly and annual reports	Available on the corporate website
<i>Investor day</i>	More than 300 analysts and investors

### Customers

Branches	14,756
Internet	98 commercial websites
Online banking	9,659,774 customers
No. of transactions performed (online banking)	308,735,431
Telephone banking	6,464,956 customers
No. of transactions performed (telephone banking)	591,685,064

### Employees

Santander today (corporate intranet)	1,173 news published
Directives portal	2,260 directives accessible
Local intranets	30

### Suppliers

Supplier portal	<a href="http://www.aquanima.com">www.aquanima.com</a>
Contract negotiation processes	4,528

### Society

Corporate website	<a href="http://www.santander.com">www.santander.com</a> Available in 4 languages
Social networks	Presence on Facebook and Twitter, over 900,000 followers YouTube 9 million video viewers
Seminars, conferences, forums and meetings with the third sector	75 events



## Santander and the higher education

Higher education as the engine of economic and social progress

## Santander and its environment

Support of local communities and preservation of the environment

## Santander and its stakeholders

Stable and lasting relations

# Santander and higher education

## Santander Universities

### COMMITMENT

Santander has established a strategic alliance with the University to support higher education, research and entrepreneurship as key levers for social and economic development in the countries in which the Bank operates.

### MAIN ACTIVITIES IN 2011

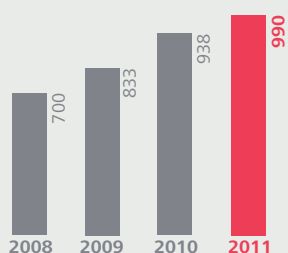
- ➔ Signing of 52 cooperation agreements with new universities in 17 countries.
- ➔ Implementation of Santander Universities in Germany and Poland. New areas for interaction with universities in China, Russia and Singapore. Increased presence among universities on the East Coast of the United States.
- ➔ First call for the award of 1,200 mobility grants for Latin American students, young teachers and researchers.
- ➔ 5 million university cards issued with chip technology.
- ➔ Implementation of the financial education programme.
- ➔ Cooperation through Universia with 492 university employment websites and arranging 330,568 first jobs in total for all countries.

### OBJECTIVES IN 2012

- ➔ Promotion of programme launches for cooperation between Europe, America and Asia
- ➔ Call for the award of 2,400 Santander Latin America grants for students, young teachers and researchers.
- ➔ Award of the first 2,500 professional internship grants in small and medium size enterprises for university students (SME Grants), and call for a further 2,500 for the 2012-13 year.
- ➔ Holding of the first Latin American Desafío Red Emprendia meeting with spin-offs of partner universities and investors.
- ➔ Creation of a training centre for entrepreneurs and encouragement for entrepreneurial culture.
- ➔ Creation of the I3C programme for the spread of the scientific output generated within the Latin American community.

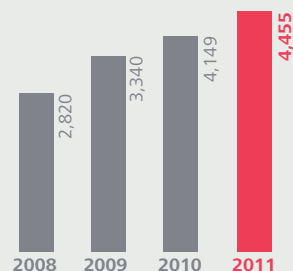
### Growth in agreements with universities

Number



### Growth in cooperation projects

Number



## Key figures

- ⇒ **990** cooperation agreements in 17 countries, 5.5% more than in 2010
- ⇒ **4,455** joint projects with universities
- ⇒ **5,395,000** intelligent university cards (IUC) in 2011
- ⇒ **330,568** estimated first jobs obtained through Universia
- ⇒ **1,232** universities form part of Universia
- ⇒ **21,799** scholarships and study grants awarded, 52.5% more than in 2010
- ⇒ **EUR 117** million allocated to university projects
- ⇒ **637,477** estimated jobs through Universia

### A unique programme in the world

Santander has been developing for 14 years a long-term strategic alliance with the University that sets it apart from other banks and financial institutions in the world.

This alliance rests on the conviction that support for higher education, research and entrepreneurship is the best way for Banco Santander to contribute to growth and the economic and social progress of countries.

In May 2010, on the occasion of the II Meeting of Rectors of Universia in Guadalajara (Mexico), the Bank announced that it would allocate EUR 600 million over the next 5 years for investment in higher education. This announcement reinforces Santander's commitment to universities, and will enable the launch of projects intended to improve education and enhance their internationalisation, innovation and the transfer of knowledge to society.

Banco Santander's investment in universities totalled EUR 117 million in 2011. The Santander Universities Global division, with its team of 2,187 professionals in 17 countries, coordinates and manages Banco Santander's commitment to higher education.

The Bank has cooperation agreements with 990 universities in Spain, Portugal, the United Kingdom, Brazil, Mexico, Chile, Argentina, Colombia, Peru, Puerto Rico, Uruguay, USA., Singapore, China and Russia.

In 2011, international expansion was reinforced with the launch of Santander Universities in Germany and Poland, granting a greater European dimension to the initiative.

### Lines of action

Banco Santander's cooperation with the University is structured around two main elements:

- Integral cooperation agreements, which in 2011 have enabled the launch of 4,455 university projects for the improvement of education, and for research.
- Development of international cooperation programmes between universities to facilitate international travel by students, professors and researchers, promoting the exchange of experiences and best practices among countries.

Both these lines of action are implemented mainly through scholarships and study grants, which are the main tools of Santander Universities.

In addition, Santander Universities supports and promotes entrepreneurship through initiatives such as the Latin American University Network for the Incubation of Companies (Emprendia Network).

In 2011, Santander Universities launched a corporate project for financial education, one of the six strategic projects approved by the Group's sustainability committee. Its aims are to improve university student knowledge on basic aspects of economics and finance, generating greater confidence and security in the use of financial services. Its main tool will be the [www.finanzasparamortales.com](http://www.finanzasparamortales.com) website, which will be complemented by classroom activities in various universities.



Sixth edition of the Europe Grants programme, Francisco de Vitoria University, Madrid, Spain

## Scholarship programme

Banco Santander's main tool for articulation of its cooperation with universities are its scholarships and study grants. In 2011, 21,799 university students from 800 universities benefitted from this assistance. A total of 14,295 scholarships were granted, 7,836 of which were for international travel, and of these, 3,350 were assigned to foster travel between Latin American countries.

Some of the main scholarship programmes intended to encourage international mobility by students, professors and researchers are as follows:

- **Latin America Mobility Scholarships.** In line with the commitment assumed by the Bank at the 2010 II Meeting of Rectors of Universia, in 2011 the announcement was made of 1,000 Latin American travel scholarships to be shared among 200 universities.

The significant effort Santander is making in Latin American universities has led it to become a key institution in the Latin American knowledge space (EIC) and it has been recognised as an "EIC agent" by the Summit of Latin American heads of state and government.

- **The *Top China* Programme.** In 2011, 75 Brazilian university students from 21 universities travelled to Beijing and Shanghai for a training programme together with 75 students from China's leading universities. Twenty-five teachers and researchers from both countries also took part. The program covered matters such as the environment and climate change, sustainable architecture, and biotechnology.
- **The *Top USA*, *Top UK* and *Top Spain* programmes.** These programmes promote the internationalisation of Brazil's universities through meetings and visits by rectors, professors and researchers involving 107 universities from Brazil, the United Kingdom, USA and Spain.

Furthermore, in 2011 two new initiatives were launched as part of the Santander scholarship programmes:

- A global website with information on scholarship programmes offered by the Bank: [www.becas-santander.com](http://www.becas-santander.com)
- The [www.agora-santander.com](http://www.agora-santander.com) website to act as a meeting point and social network for those benefitting from Santander scholarships.

## Innovation, entrepreneurship and transfer of knowledge

The Bank has continued to promote and support initiatives intended to ensure universities become increasingly creative, innovative and entrepreneurial, responding to the conclusions of the II Meeting of Rectors of Universia held in 2010.

### Emprendia Network

The Latin American University Network for the Incubation of Companies (Emprendia Network) was set up at the initiative of the Universities of Barcelona and Santiago de Compostela, with the support of Banco Santander. In 2011 it consolidated its position as a leading player in the creation of university companies, particularly those that are technology and science based, and in the encouragement of an entrepreneurial culture.

In 2011, the Emprendia Network added five new universities (Universidad Antioquia in Colombia, Universidad de Chile, Universidad de Porto and the university polytechnics in Valencia and Madrid), so that it now includes twenty Spanish and Latin American university institutions.

In 2011, innovative programmes have been developed among partner universities for mutual hosting of spin-offs, grants have been awarded for entrepreneurs in innovative companies, and sponsorship was provided for the Ibero-American entrepreneurship awards given by the Ibero-American General Secretariat and presented at the annual meeting of the Ibero-American Summit.

In 2012, it is planned to hold the First Emprendia Network Challenge that will bring together entrepreneurs and investors.

### Innovation awards

Santander awards for innovation and the fostering of entrepreneurial culture in Argentina, Mexico, Chile, Uruguay and Colombia have become renowned internationally. For their 2011 more than 10,000 university projects were submitted. In Brazil alone 400 universities took part, submitting over 6,000 projects.

### International excellence campuses

In Spain, Banco Santander is providing direct assistance for the development of 10 international excellence campuses that group together universities, research institutes, science and technology parks, hospitals, local governments and companies, to share and make rational use of resources, leverage the transfer of research results and amplify their impact on the productive and social fabric of their areas of influence.

In addition, Santander cooperates with 15 Spanish science and technology parks that offer company incubators, and which in 2011 provided support to over 150 new business projects.



Presentation ceremony of the University of Salamanca - Banco Santander International Grants

## University community support programmes

As part of its cooperation with universities, Banco Santander also carries out programmes to provide support for less privileged groups and communities.

These include:

- The Amazonia 2020 programme whereby Santander Universities supports federal universities in the north of Brazil, fostering internationalisation and the exchange of knowledge, contributing to the training of the faculty, encouraging scientific research, and promoting an entrepreneurial spirit committed to sustainability.
- The Rio 2016 programme in Brazil, designed to provide support to low-income communities and offer opportunities for social inclusion. Thanks to this programme 200,000 people will benefit from training courses that will enhance their access to the labour market.
- The SME Internship Programme in Spain, in association with Spain's Confederation of SMEs (CEPYME) and the Conference of Rectors of Spanish Universities. In view of the difficult economic situation Spain is experiencing, which has a particular impact on the employment of young people, Banco Santander has launched this programme to facilitate the insertion of university students into the labour market. Under this programme, 5,000 university students will be able to qualify for paid internships in small and medium-size enterprises in 2012 and 2013.

## Santander chairs at universities

For many years Banco Santander has been promoting the creation of chairs at universities for research and teaching, in most cases formed by teams from several universities.

In 2011, at least 68 chairs received support from Banco Santander for the development of projects in relation to sustainability, entrepreneurship, family businesses and innovation. They include five UNESCO chairs, seven chairs of the National Autonomous University of Mexico (UNAM) jointly with various Spanish universities, and eight chairs on family-owned companies, one dedicated to small and medium-size enterprises based at the University of Cantabria, and seven sustainability chairs.

The Bank also supports a network of corporate social responsibility chairs formed by the University of Alcalá, the University of Salamanca, the Antonio de Nebrija University, the University of Castilla la Mancha and the Francisco de Vitoria University. This network is a unique initiative formed with the aim of promoting encounters between different research teams in the sphere of corporate social responsibility.

## Miguel de Cervantes Virtual Library

The Miguel de Cervantes Virtual Library ([www.cervantesvirtual.com](http://www.cervantesvirtual.com)) was created at the initiative of Banco Santander, the University of Alicante and the Botín Foundation in order to disseminate Hispanic culture globally.

Since its creation 11 years ago it has incorporated more than 130,000 books and documents to its library, all freely available on Internet.

An *Essay and Science* website was launched in 2011 as an Internet initiative in association with the Santillana Foundation to disseminate to the Anglo-Saxon academic community the work of leading Spanish and Latin American exponents of philosophical and scientific thought.

Furthermore, to mark the awarding of the Nobel Prize for Literature to Mario Vargas Llosa, the Library, together with Spanish, Mexican and Peruvian universities, has sponsored the setting up of the Vargas Llosa inter-university Chair to contribute to the knowledge, study and discussion of the work of this Spanish-Peruvian author, president of the Miguel de Cervantes Virtual Library Foundation.

The Miguel de Cervantes Virtual Library has completed the renewal of its technology platform, which will allow it to broaden its services and facilitate increased interaction with its users. It has also consolidated the Virtual Library of Mexican Culture, and has taken steps to be able to extend the model to other countries in Latin America.



BIBLIOTECA VIRTUAL  
MIGUEL DE CERVANTES  
[www.cervantesvirtual.com](http://www.cervantesvirtual.com)

## Key figures Universia

- ➔ **1,232** universities
- ➔ **23** countries
- ➔ **14.3** million teachers and students
- ➔ **9** million individual users per month  
(**3.1** million users of job websites)
- ➔ **1.9** million registered users
- ➔ **6,781** reports in the media
- ➔ **158,039** friends / followers on Facebook and Twitter
- ➔ **34.2** million content downloads

## Universia: the world's largest university network

Since it was created in July 2000, Universia has become established as the world's largest university network, embracing 1,232 universities from 23 countries and covering 14.3 million students and teachers. An essential component of its success has been its role in connecting the university world with the rest of society, tending not only to the needs of education but also other important demands, such as the search for a first job, university-company relationships, social networks and responsible leisure.

In 2011, Universia launched its master plan, setting guidelines for its activities in the 2011-2013 period.

This plan consists of four main elements:

- Knowledge: driver of innovation. Universia contributes to connect research to business, using technology to disseminate knowledge and promoting training throughout professional life.
- Cooperation: links between universities and companies. Creation of spaces for discussion and inter-university relationships, positioning university teachers as agents of business change.
- Employment: link between talent and employment. One of the main objectives of Universia is to facilitate the search for the first job and professional internships by university students, generating new employment opportunities for graduates.
- Future development: university students as future leading players. Universia gives university students tools and initiatives to assist them in their professional training and personal development, informing them of the prospects for the future.

### Employment through Universia<sup>(\*)</sup>

University students who have gained their first job	330,568
Internships in companies	25,028
Part-time employment	129,638
Jobs for professionals with more experience	152,243
<b>Total jobs through Universia</b>	<b>637,477</b>
Curriculums submitted	7,857,772
Job vacancies published	1,900,869
Job vacancies published	102,231

(\*) The information on jobs obtained through Universia is an estimate based on 40% of the vacancies offered.

### Support for employment

One of the main commitments by Universia to the Ibero-American university community concerns facilitation of access by university students to the job market. The creation of Universia Employment in 2005 and the association with Trabajando.com in 2008 have ensured that in 2011 330,568 young university students with less than one year of employment experience were able to obtain their first job through Universia. In addition, Universia arranges for other categories of employment, such as professional internships in companies, part-time internships, and jobs for professionals with more than one year's experience. As a result, the total number of professionals obtaining employment through Universia in 2011 was 637,477.

Websites for scholarships, courses and events have contributed to communication of student help offerings and courses and seminars complementing the official curriculum, as well as events of interest to university students. In 2011 information was published on 33,764 grants offered by public and private institutions.

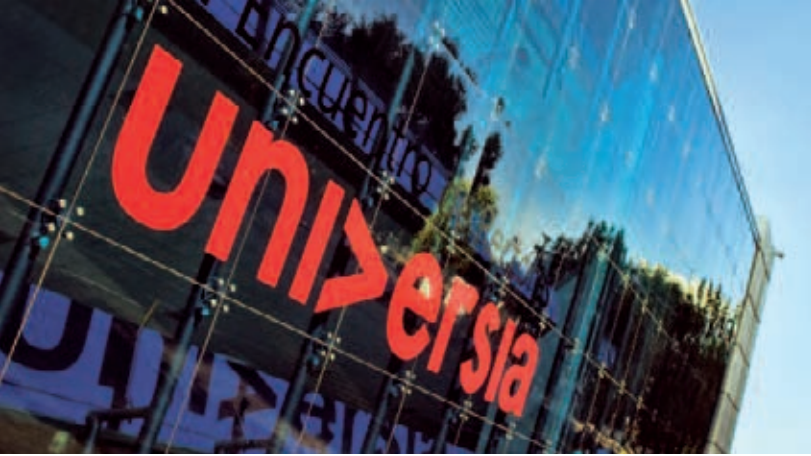
The international website and blogs on employment, training and mobility enrich the learning experience of students before they travel to other countries, and encourage communication among them.

### Academic activity

Universia also carries out academic projects such as the publication of academic magazines with universities and leading institutions, including *Revista Iberoamericana de Educación Superior*, in association with the National Autonomous University of Mexico (UNAM); *Globalization, Competitiveness and Governability* published together with Georgetown University; *Universia Knowledge@Wharton*, in association with Wharton School; *Universia Business Review*, together with the Universidad Complutense de Madrid; *Revista de Historia Iberoamericana* with Pontifical University in Chile; and the *Spanish Journal of Soil Science* in association with SECS (Spanish Soil Science Association) and the Spanish National Research Council (CSIC).

Other projects linked to academic activity include *OpenCourseWare*, which enables consultation of open source teaching material, *Innoversia*, a website that segments the applied research needs of companies by area of knowledge and facilitates access to research requirements by researchers, and the Learning Resource Library, that currently stores 15.7 million resources derived from 213 collections.





Universia, Boadilla del Monte, Spain

### Universia Foundation

The Universia Foundation was set up in 2005 to promote educational and employment inclusion for the disabled, and in particular university students and graduates with disabilities. Its activity is centred on three main cross-disciplinary programmes:

- **Information, orientation and dissemination programme.** The Foundation promotes research to analyse the degree of inclusion of the disabled within the education and work environment.
- **Equality of opportunity and inclusion programme.** The Universia Foundation, together with the universities, designs and develops initiatives to promote access to university by the disabled. These initiatives include the *Bank of Support Products*, *Capacitas scholarships*, *Masters scholarships*, and the *End of Course Thesis awards*, as well as a *personal assistant service in universities*. In total, 315 disabled university students have benefitted from this programme.

Since 2010, the Universia Foundation and the Conference of Rectors of Spanish Universities (CRUE) have been working together on processes for the training and employment of Spanish university students and graduates. In particular, the Universia Foundation takes part in the activities and proposals of the new Network of Services for the Disabled (SAPDU), created by the Student Affairs Department (RUNAE) of the CRUE.

- **Employment programme.** One of the key aims of the Foundation since its beginnings has been to facilitate access to employment by persons with disabilities. The Universia Foundation cooperates with public administrations in providing guidance and intermediation in relation to employment. With a database of 6,285 curriculums posted by the disabled, the Universia Foundation employment portal is a significant element assisting in the search by this group for qualified employment.



Students communicating by means of sign language on the university campus

In 2011 the Universia Foundation received recognition in the customer focus category from the European Business Awards. These awards promote excellence, best practices and business innovation in the European Union. In addition, in 2011 the Universia Foundation signed up to the United Nations Global Compact.

[www.fundacionuniversia.net](http://www.fundacionuniversia.net)

### International Campus of Excellence Programme (CEI)

The Ministry of Education and the Universia Foundation have signed a cooperation agreement within the framework of the International Campus of Excellence Programme to achieve excellence of the best Spanish university campuses on the matter of disability. The agreement sets out the following objectives:

- To encourage the providing of professional internships for disabled university students.
- To encourage the hiring of university students with disability in the ordinary workplace in accordance with their training and skills.
- To promote the professional development of disabled university students in both public and private organisations.



# Santander and its environment

## Community

### COMMITMENT

To contribute to the social and economic development of the communities where the Bank is present by means of initiatives that foster child education, entrepreneurship and financial inclusion.

### MAIN ACTIVITIES IN 2011

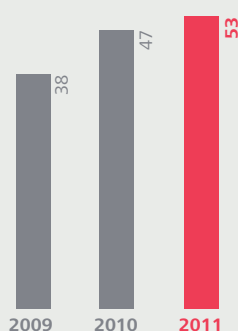
- ➔ Support for child education in the most deprived communities in Latin America.
- ➔ More than 250,000 micro-credit businesses, of which 99,951 are customers of Santander Brazil.
- ➔ Launch of the financial education project.
- ➔ Introduction and broadening of the *Santander Committed Volunteers* programme.
- ➔ Incorporation to the LBG methodology of the investment data from Sovereign and Bank Zachodni WBK. Global measurement of the Group's social investment.
- ➔ Banco Santander Foundation has become a leading international force on the cultural scene.

### OBJECTIVES IN 2012

- ➔ Encouragement to the growth of micro-credit in Latin America, and in Mexico in particular.
- ➔ Promotion of the development of social programmes and initiatives that encourage employee participation.
- ➔ Promotion of financial education among less privileged groups.
- ➔ Development of new dissemination channels to publicise the Group's social initiatives in different countries.
- ➔ Progress in the measurement of the economic impact of the Group's social initiatives.

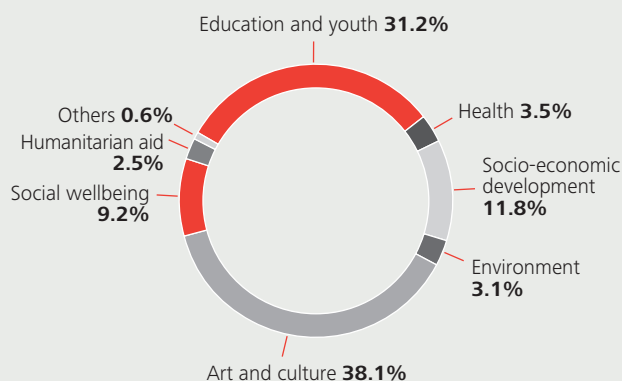
### Growth of investment in the community

Millions of euros



### Distribution of social investment by sphere<sup>(\*)</sup>

According to LBG methodology



(\*) EUR 53 million. Does not include Santander Universities programme.





Delivery of presents, Vila Cruzeiro shanty-town, Brazil



Childhood education course, Complexo do Alemão, Brazil

## Key figures

- ➔ **EUR 53** million in social investment
- ➔ **EUR 16.7** million invested in child education

- ➔ **341** initiatives and projects
- ➔ **49,127** employee volunteers, equivalent to 25% of the Group staff

### Investment in the community

Banco Santander wishes to contribute to the social and economic development of the communities in which it operates. To do so, it identifies and develops initiatives intended to meet the basic needs of the more deprived communities, and those with the least purchasing power.

In providing its support to the community, with a particular focus on child education, entrepreneurship and financial inclusion, Banco Santander works closely with the third sector (NGOs, foundations and other not-for-profit institutions) with which it maintains a fluid and constant dialogue. In addition, the Bank promotes participation by Group professionals in the various initiatives for the support of the community.

The main spheres of Banco Santander's social investment are:

- Child education.
- Micro-credits and entrepreneurship.
- Financial education.
- Culture.
- The environment.

In 2011 the Bank implemented the *London Benchmarking Group* (LBG) methodology, an impact measurement system to classify and administer its community investment. In 2011 Grupo Santander's social investment totalled EUR 53 million, and for the first time included the investment by Sovereign (USA) and Bank Zachodni WBK (Poland).

### Child education

In line with the United Nations Millennium Development Objectives, Banco Santander supports local initiatives that promote children's education in more disadvantaged communities. Its aim is to help achieve a universal education providing equality of opportunities and encouraging sustainable growth in the communities. In 2011, Santander was able to assist over 200,000 children.

Examples of these initiatives include:

- *Projecto Escola* in Brazil, a programme to contribute to improved state school education, with the voluntary participation of Santander Brazil employees. In 2011 a total of 1,875 employees took part in the programme carried out at 180 state schools.
- *CEBI Foundation* in Portugal, of which Santander Totta was a founder member in 1995. Provides subsidies that facilitate access to school.
- The *Bécalos* programme in Mexico supports state school students and teachers through scholarships. In 2011 the Bank and its customers raised over one million euros for this project.
- The *Becas escolares* initiative in Argentina enables poor children to continue schooling. In the last year Santander Rio granted 396 scholarships through *Cáritas Argentina*.
- The *Bank of Children Smiles Grant Programme* and *The Bank of Ambitious Youth Grant Programme* in Poland support the development and education of children in poor and dysfunctional families.

Furthermore, as sponsor of the Copa América football tournament, Santander donated to Unicef's United Nations Children's Fund an amount of one thousand dollars for each of the 54 goals scored in the competition, and 46,000 dollars for the last goal of the Cup, making a total donation of 100,000 dollars. These funds were allocated to projects to support children's education in the poorest communities in Latin America.

## Employees and social action

With the aim of establishing channels for cooperation between Group professionals and the third sector, in 2011 Banco Santander launched its corporate *Santander Committed Volunteers* programme, as approved by the sustainability committee. This programme was implemented on the basis of a cooperation agreement signed with Unicef to contribute to an improvement in child education in Latin America. The programme has expanded over the course of the year, with the inclusion of the Red Cross, Aldeas Infantiles, Entreculturas and the Spanish Association Against Cancer, which offer employees volunteering initiatives all over Spain. There are plans to extend this programme to other countries in the Group.

As well as *Santander Committed Volunteers* there are other local community assistance programmes in which employees also participate:

- In Spain the Solidarity Social Projects scheme is an annual competition in which employees are given the opportunity to present the projects of different NGOs. In 2011 over 240 projects were submitted, 45% more than at the previous call for proposals. The winning projects were those of Aldeas Infantiles, the Vicente Ferrer Foundation and Asión, which were financed by the *Euros from your payslip* social fund, formed by employee and Bank contributions.
- In the United Kingdom the *Santander UK Community* programme allows employees to carry out volunteering work in various charitable organisations.
- In Mexico, *Fideicomiso Por los Niños de México* also functions on the basis of income from donations by Bank employees. Its aim is to raise funds to be channelled to institutions in the spheres of health, nutrition and education specialising in providing support to the most needy children. In 2011 this Trust provided assistance to 66 organisations, and handed out a total of EUR 409,423 euros to help over 40 thousand Mexican children.
- Through *Un techo para mi país*, *Un techo para Chile* and *Fideicomiso Vivienda*, in 2011 the Bank has provided assistance for the building of 800 houses for the homeless in Argentina, Chile, and Mexico. Over 600 employees took part in the construction of these dwellings.

In total, in 2011 more than 49,000 employees have participated together with the Bank in the development of a range of initiatives, 15% more than in the previous year.

### Main volunteering programmes

Countries	Programme	Number of volunteer employees
Argentina	Un techo para mi país Solidarity Day Centro educativo Pescar Santander Rio Reading Marathon Ideas que dan trabajo	264
Brazil	Amigo do valor Projeto Escola	31,553
Chile	Fundación Belén Educa Fundación Mi Parque	100
Spain	Submission of projects and Euros de tu nómina Volunteering portal Day of the Volunteer Santander Committed Volunteers	1,882
Mexico	Trust for children in Mexico San Jerónimo reforestation	8,059
Portugal	Pão para todos	5,308
United Kingdom	Community days	1,961
<b>Total</b>		<b>49,127</b>



Volunteer of the project Oaxaca, Mexico

## Microcredit and entrepreneurship

Another key element of Banco Santander's social action is its support for entrepreneurship through initiatives such as microcredits to achieve financial inclusion and social and work integration for those at risk of exclusion.

### Microcredit

Banco Santander operates a microcredit programme that facilitates credit access of least favoured groups to improve their social inclusion, quality of life and their local environment. The microcredit programme considers various types of business formulas, and is adapted to local circumstances.

Particularly worthy of note is the Santander Microcredits Brazil programme that grants loans to small businesses, mostly in the informal sector, which would otherwise not have access to loans. Over 80% of these loans are granted to businesswomen who in groups of five or six receive loans for an average amount of between EUR 300 and EUR 500, without the need for additional guarantees.

Santander Microcredits Brazil is betting on its closeness to its customers, with 22 attention points in branches and more than 200 specially-trained credit agents who personally call on those who are interested. This relationship model also makes it possible to provide advice to entrepreneurs on basic management tasks, such as how to calculate sales costs and prices, or identify business opportunities.

## Opening of a Branch in the Vila Cruzeiro shanty-town

In order to reinforce its presence in the country's poorer communities, in December 2011 Santander Brazil inaugurated a bank branch in the Vila Cruzeiro shanty-town, in Rio de Janeiro. This opening formed part of the *Rio 2 mil e Sempre* programme, intended to support the growth and development of the local population, as well as to promote entrepreneurship and banking and social inclusion.

This branch joins the one opened in May 2010 in the Complexo do Alemão, which serves a community of over 140,000 people.



In Chile, Santander Chile is a leading provider of micro credits, with 117,000 customers. Since 2001 has been the annual sponsor of a national award for the top female micro entrepreneur.

Lastly, in El Salvador, Santander participates in the Enlace small loans company, that serves more than 35,000 micro-entrepreneurs in this country and has a loan portfolio of EUR 9 million.

In 2011, Banco Santander sponsored the World Microcredit Summit held in Valladolid (Spain), where it presented the Santander Micro Credits Brazil model.

In total, in Brazil, Chile and El Salvador, the Group is financing the projects of over 250,000 micro-entrepreneurs. Compared with 2010, the active customer portfolio has grown by 28,341 new micro-entrepreneurs, and the volume of loans in force increased by over EUR 65.4 million.

### Main Microcredit Programmes<sup>(1)</sup>

Country	Programme	Customers	Loans <sup>(*)</sup>
Brazil	Santander Microcredits	99,951	77
Chile	Microfinance in Chile	117,000	186
El Salvador	Enlace	35,185	9

(1) Customers and loans in force at 31.12.2011

(\*) Millions of Euros

### Entrepreneurship

In addition to the microcredits, Banco Santander promotes job creation and economic development through initiatives in support of young entrepreneurs.

- In Argentina in 2011 the *Ideas que dan trabajo* programme financed 18 micro-undertaking projects put forward by the employees themselves. Furthermore, the Bank sponsored the 7th edition of the Young Entrepreneurs Prize.
- In Brazil, *Parceiras em Ação* and *Prêmio Santander Universidade Solidária* support social projects in disadvantaged communities, encouraging the development of a business mentality and increasing the social commitment of the university students.
- In Spain, Santander has begun to collaborate with the Junior Achievement NGO on its *Startup programme* project, which is intended to encourage the development of entrepreneurs in the university environment.

### Banesto Foundation

The Banesto Foundation supports young entrepreneurs with programmes such as *Yuzz*, which encourages the talent of young people with innovative ideas, and *EmprendedoresTV*, which has become a significant audio-visual reference for entrepreneurs and SMEs.

The Banesto Foundation also promotes the setting up of companies in developing countries through support for key sectors for progress such as sustainable and solidarity tourism in Africa and Latin America. This initiative provides training and technical assistance for women entrepreneurs in the tourism sector. It also supports the promotion and sale of new tourist destinations, the gradual introduction of technology, and the financing of viable projects that can contribute to the generation of sustainable employment in the region.

For further information, see: [www.fundacionbanesto.com](http://www.fundacionbanesto.com)



Employees participating in the *Corporate Solidarity Day*, Madrid, Spain

## Financial education

Santander operates several financial education programmes to improve the knowledge of university students in relation to basic aspects of the economy and finance, generating greater confidence and security in financial service use.

In 2011, it has been defined the corporate financial education project that was approved by the sustainability committee in July 2010 and led by Santander Universities. Its purpose is to improve the knowledge of university students in relation to basic aspects of the financial environment. Initially the project will be launched in Spain, and will then be exported to other Group countries. Its main dissemination channel will be the [www.finanzasparamortales.com](http://www.finanzasparamortales.com) portal, complemented by classroom initiatives in various universities.

Other projects already being carried out include:

- In the United Kingdom, *Santander in schools*, *My Money*, *My Rights*, *Student Money Manual*, which instruct young people and immigrants on basic concepts such as the importance of savings, investment and access to loans.
- In Brazil, *Brincando na rede* (Online playing) is aimed at children and offers interactive content, tools and games to develop the entrepreneurial spirit and teach them to save.
- In Puerto Rico the *Programa Contigo* programme is implemented through talks and workshops to help those taking part to acquire financial knowledge.

## Student Money Manual United Kingdom

Santander United Kingdom, in association with Credit Action, an educational foundation, has sponsored the publication of a financial manual for students.

The *Student Money Manual* guide is directed to students and their parents. It provides information on the most important aspects that they need to be familiar with when taking decisions and managing their money during their university years, and contains information on a large number of specific financial products for this group, such as the student fund, as well as advice on resolving financial problems.



Campaign to support the Horn of Africa

## HAZ TU APORTACIÓN

BANCO SANTANDER HA REALIZADO UNA APORTACIÓN DE 500.000 EUROS PARA CÁRITAS Y CRUZ ROJA



## Other local initiatives

### Global emergencies

In 2011, the Bank provided support for the projects set in motion by Caritas in Spain and the Red Cross to alleviate extreme poverty and famine in Horn of Africa countries, providing a donation of EUR 500,000 and raising a further EUR 500,000 from customers and employees, launching an Internet and radio publicity campaign to mobilise public opinion.

Other actions during 2011:

- In Brazil the Bank took part in the rebuilding of a school in the Río do Sul municipality in Santa Catarina, one of the three states most affected by rains and floods in March 2011.
- In Spain the Bank has contributed to help overcome the effects of the earthquake in Lorca (Murcia). Actions included advancing earthquake damage compensation to those customers who were insured. In addition, the Bank donated EUR 500,000 for reconstruction of the municipal library and an infant's school.

### Environment

In the sphere of the environment, during the year Group volunteers took part in numerous reforestation and nature recovery projects. One example was the 2011 reforestation project carried out in Mexico City in association with Reforestamos México, A.C., which has been added to the reforestation work being performed since 2009. In 2011, 550 volunteers took part in the planting of 3,000 trees. In the last 3 years a total of 14,760 trees have been planted.

### Society

In 2011, the Bank, together with other leading Spanish companies, cooperated with the celebration of the *World Youth Day* held in Madrid on the occasion of the visit by Pope Benedict XVI. The Bank, through ISBAN, the Group's information technology company, developed a pilgrims' register for the organization that facilitated the presence at the event of thousands of young people from all over the world.





Sandretto Re Rebaudengo's exhibition, Santander gallery, Boadilla del Monte, Spain

### Art and culture

With an investment of EUR 20 million, Banco Santander, through its foundations, carries out an intense activity to protect and disseminate art and culture.

#### Banco Santander Foundation

Banco Santander develops its art patronage activities with a strong cultural, humanistic and scientific vocation. They include an important programme of multimedia projects and online competitions for university students (Fototalentos, TalentosDesign and VídeoTalentos). The Foundation has also made a significant contribution to the restoration of the national heritage.

In the sphere of art, the Foundation administers the Santander Collection and contributes to its international dissemination through exhibitions and online projects such as Masterworks from the Santander Collection and the Coins multimedia programme. The Foundation also organises exhibitions at the Santander gallery (such as the Sandretto Re Rebaudengo collection), making known some of the world's most important collections of contemporary art. In addition, it has funded exhibitions in various institutions and sponsors the educational project of the Queen Sofia National Museum and Art Centre. The Foundation also organises visits and workshops for families and schools at the Santander gallery.

In music, the Foundation supports various educational projects such as Ópera Oberta together with the Gran Teatro del Liceo, and it cooperates with institutions such as the Fundación Albéniz and the Teatro Real in Madrid.

The Foundation organises conferences and debates and carries out a significant publishing activity, which includes the Colección *Obra Fundamental* and the *Moneda y Crédito* magazine.

The Foundation is also involved in leading scientific projects with both the CNIO and the Puerta de Hierro University Hospital in the fight against cancer.

For more information, see: [www.fundacionbancosantander.com](http://www.fundacionbancosantander.com)



Santander Cultural building, Porto Alegre, Brazil

#### Santander Cultural Brazil

Santander Cultural Brazil, with establishments in Porto Alegre and Recife, is a major social and cultural centre that carries out a wide programme of activities. With a commitment to contemporary culture and sustainable development, it acts mainly in the fields of visual arts, music, film and reflection. Santander Cultural Brazil also carries out significant work in relation to the dissemination and integration of the country's linguistic diversity.

Since its creation 10 years ago, Santander Cultural has put on 34 exhibitions of Brazilian and international art, thousands of film showings, festivals, seminars, courses, and hundreds of concerts, workshops and master classes.

Also noteworthy, in the headquarters in Porto Alegre, the Cultural telecentre which promotes the digital inclusion of older people. The headquarters in Recife has the Marcantonio Vilaça Library, specialised in art, architecture, fashion and photography.

At present the cultural centre is also supporting projects that contribute to the social transformation of the local community by means of agreements with other institutions.

For further information: [www.santander-cultural.com.br](http://www.santander-cultural.com.br)

## Key figures - Banco Santander Foundation

- ➔ 15 exhibitions organised
- ➔ 1,000 works of art in the Santander Collection
- ➔ 21 concerts and sponsorship of 7 music institutions
- ➔ 9 natural areas restored
- ➔ 17 publications
- ➔ 38 cultural, environmental and scientific organisations supported by the Foundation
- ➔ 19 million visits and 900,000 unique website users



# Santander and its environment

## Environment and climate change

### COMMITMENT

Banco Santander places special emphasis on environmental protection and fight against climate change when carrying its banking activities by consumption and emissions monitoring in its facilities, assessing social and environmental risk in loans and promoting renewable energies and energy efficiency.

### MAIN ACTIVITIES IN 2011

- ➔ Application of the energy efficiency plan: reduction of CO<sub>2</sub> emissions and electricity consumption and quarterly monitoring the plan.
- ➔ Climate change office creation.
- ➔ Energy purchase from renewable energy at corporate centres in Spain, United Kingdom and Brazil.
- ➔ Inauguration of the Group's new Data Processing Centre in Spain: an international reference in energy efficiency.
- ➔ Significant progress in the implementation of the paperless project at retail bank branches in Spain.
- ➔ Incorporation of social and environmental risk analysis process in project finance to NILO/AQUA IT tools.
- ➔ Risks and business training teams on Equator Principles.

### OBJECTIVES IN 2012

- ➔ Consolidation of the climate change office.
- ➔ Launch of the environmental footprint website.
- ➔ Consolidation of country best practices for environmental management among the countries.
- ➔ Development of a programme for offsetting CO<sub>2</sub> emissions.
- ➔ Promote environment related corporate volunteering actions.
- ➔ Adaptation to the new requirements of the Equator Principles for social and environmental risk analysis in credit transactions.
- ➔ Development of a sustainable procurement of wood or paper from sustainable forests, according to the international standards.



CARBON DISCLOSURE PROJECT



## International environmental initiatives that Banco Santander adheres to or is present in

➔ UNEP FI

➔ Equator Principles

➔ Carbon Disclosure Project

➔ Banking Environment Initiative

➔ Round Table on Responsible Soy

### Environment and climate change in Banco Santander

Banco Santander's environmental management is a key component of the Group's sustainability strategy and forms part of the Bank's business model.

Its activities follow three main lines of action:

- Control and reduction of consumption and emissions by the Group's installations.
- Social and environmental risk analysis in loans.
- Development of financial solutions that are committed to protecting the environment, such as renewable energy and energy efficiency.

To this end, the Bank employs specialists in its business and support areas.

Santander's social and environmental policy sets out the basic principles governing the Bank's sustainability activities. This policy is inspired by best practices and applies to the whole Group. It is available at the corporate website. In addition, the bank has developed specific policies that set the criteria for project finance activity in the defence, energy, water and forestry sectors.

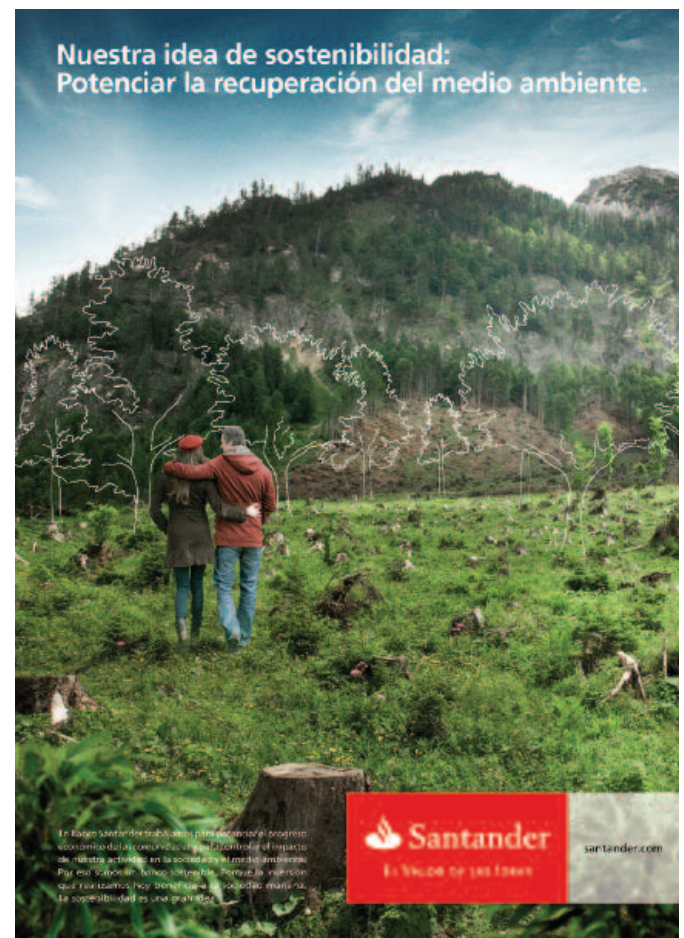
In 2011 Banco Santander received several awards in relation to environmental management and occupies a leading position in various environmental rankings. This recognition is a result of the Bank's management to reduce consumption and emissions from its facilities all over the world, as well as for its leadership in the financing of renewable energy. These awards include: *The Greenest Bank in the World*, from *Bloomberg Markets* and *The Best Global Green Brands* from Interbrand. In addition, Banco Santander Brazil has been ranked 17th on the *Newsweek* green ranking of companies with the best environmental management.

Furthermore, the Bank has improved its environmental score on the *Dow Jones Sustainability Index*.

### Climate change office

In May 2011, Banco Santander's sustainability committee approved the creation of a climate change office, with the following objectives:

- To be the reference and knowledge centre in relation to climate change matters affecting the Group.
- To analyse risks, new regulations and international directives that could affect Banco Santander.
- To identify and promote climate change business opportunities.
- To disseminate within the Group the Bank's contribution to fight against climate change.
- To foster energy efficiency practices among employees, customers and suppliers.



Advertising campaign, Spain

## Reduction of consumption and emissions

Banco Santander performs rigorous measurement, calculation and control of its environmental footprint; that is, consumption and emissions from the facilities of the entire Group. In addition, Banco Santander makes use of SAP tools for the management and reporting of environmental indicators. The data reported in 2011, includes the information related to the new incorporated banks: Bank Zachodni of Polonia and SEB Group in Germany.

In 2011 the Bank implemented various measures in accordance with its 2011-2013 energy efficiency plan to meet its target for the reduction of CO<sub>2</sub> emissions and electricity consumption

throughout the Group. Relevant actions include: the *paperless banking* project, for the total elimination of paper in the retail banking business in Spain. All documentation in relation to the providing of products and services is to be digital. Paper documents will only be printed at the customer's request. In 2011 paper correspondence with employees in Spain was eliminated.

In addition, more efficient lighting devices, have been installed in various buildings, and air-conditioning equipment has been renovated. Also, awareness campaigns and training in best practices have also been carried out to reduce consumption.

### Grupo Santander's environmental indicators

Consumption	2011	2010	var.10/11 (%)	2009
Water (cubic metres)	3,721,515	3,887,834	-4.3%	3,699,876
Water (cubic metres) / employee	19.3	21.7	-11.4%	21.8
Standard electricity (millions of kWh)	1,073	1,257	-14.7%	1,209
Green electricity (millions of kWh)	234	-	N.A	-
Total electricity (millions of kWh)	1,307	1,257	3.9%	1,209
Electricity (thousand kWh) / employee	6.8	7.0	-3.9%	7.1
Direct consumption of energy (GJ)	547,145	533,773	2.5%	513,407
Paper (tonnes) <sup>(1)</sup>	29,606	29,838	-0.8%	35,313
Recycled or certified paper (tonnes) <sup>(1)</sup>	18,166	17,807	2.0%	-
Paper (t) / employee	0.15	0.17	-8.2%	0.2

### Waste

Paper and cardboard (Kg)	15,429,740	14,139,643	9.1%	15,030,191
Paper and cardboard (Kg) /employee	79.8	79	1.0%	88.7
Plastic, containers, cans (Kg)	4,604,743	5,280,167	-12.8%	6,136,714
Plastic, containers, cans (Kg) /employee	23.8	29.5	-19.3%	36.2
Toners (units) <sup>(2)</sup>	124,219	172,228	-27.9%	193,468
Toners (units) / employee	0.6	1	-33.3%	1.1
Glass (Kg)	111,777	105,936	5.5%	121,701
Glass (Kg) / employee	0.6	0.6	-2.4%	0.7
Electrical and electronic waste (units)	58,318	67,850	-14.0%	213,480
Electrical and electronic waste / employee	0.3	0.4	-20.5%	1.3

### Emissions of greenhouse gases<sup>(3)</sup>

Direct emissions of CO <sub>2</sub> (t <sub>eq</sub> ) <sup>(4)</sup>	30,272	28,792	5.1%	28,063
Indirect emission of CO <sub>2</sub> from electricity (t <sub>eq</sub> ) <sup>(5)</sup>	384,574	480,318	-19.9%	486,861
Indirect Emissions of CO <sub>2</sub> from staff commuting (t <sub>eq</sub> ) <sup>(6)</sup>	150,622	126,298	19.3%	89,114
Total emissions of CO <sub>2</sub> (t <sub>eq</sub> ) <sup>(7)</sup>	565,468	635,408	-11.0%	604,038
Total emissions of CO <sub>2</sub> (t <sub>eq</sub> ) / employee	2.9	3.5	-17.1%	3.6

### Employees (No.)

	193,349	178,869	8.1%	169,460
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(1) The paper consumption estimation was reported on the basis of purchase data from the main suppliers applying average prices and weights in the various countries in which the Santander Group is present. The certified paper is that from sustainable forests according to international standards.

(2) In 2011, the data in Spain, Chile and Brazil, refers exclusively to toners managed by the Bank. Amounts related to third party removals are not available.

(3) The emission factor used to calculate the direct emissions and those related to individual and collective road transport have been modified. In 2011 the conversion factors used were the DEFRA (DEFRA 2009 Guidelines to Defra / DECC's GHG Conversion Factors for Company Reporting), instead of the GHG Protocol and IPCC factors applied in past years. For this reason the data related to 2009 and 2010 has been recalculated.

(4) These emissions include those coming from the direct consumption of energy (natural gas, diesel oil and other fuels).

(5) The indirect electricity emission has been calculated using the emission factors from the IEA (International Energy Agency). Also they have been calculated by applying a conversion factor of

1,134 of CO<sub>2</sub> to obtain CO<sub>2</sub> equivalent (Source: DEFRA Guidelines Guidelines to Defra / DECC's GHG Conversion Factors for Company Reporting). It has been declared null those emissions coming from Electric Green Energy; Thus the reduction achieved with the consumption of this green energy of 18.7%.

(6) These emissions include those coming from employee trips done by plane and by car and those arising from employee commuting by car, by collective transport and by train. The trips in individual cars are calculated on the basis of the number of parking spaces in the corporate buildings in each country. The trips of employees in collective transport are calculated on the basis of the average distance covered by the vehicles hired by Grupo Santander to take employees to their workplace and in the interior of the corporate building of Spain (CGS). The collective transport service exists in the following countries: Germany, Belgium, Brazil, Italy, Mexico, Portugal, Spain and inside the corporate building of Spain (CGS). The increase in 2011 was mainly due to the inclusion of the business trips done by car in Brazil and Banesto (Spain), not included in 2010. These emissions do not include those coming from business trips done by car in Banco Santander in Spain, neither those ones from employee commuting in United Kingdom due to the lack of information.

(7) All the emissions have been calculated using CO<sub>2</sub> equivalent conversion factors.



Santander Group City, Boadilla del Monte, Spain

### Other relevant initiatives

#### Go Green campaign in the United Kingdom

In 2010, Banco Santander launched its Go Green campaign with the aim of increasing environmental awareness among Bank employees in three areas: electricity, waste and travel.

The campaign, carried out by volunteer employees, achieved significant results in 2011:

- ISO 14.001 environmental certification was obtained for the Triton Square headquarters in London.
- Execution of internal road-shows regarding environment.
- Launch of the *Village Green* intranet.
- Participation of 110 volunteers.
- Recycling ratio increased from 12% to 82%.

#### Energy efficiency in Santander Totta

For the last six years Santander Totta has been calculating its greenhouse gas emissions. In addition, it has adopted various initiatives to reduce consumption and emissions at its installations:

- Energy efficiency measures at main offices by means of the control of lighting and air-conditioning systems.
- Installation of 20 electricity micro-generation systems at offices.
- Launch of its *Dê uma pausa ao planeta* campaign aimed at employees to encourage best practices for reduction of consumption in offices.

#### Other initiatives

- Certification of environmental management systems and other certifications at corporate centres in Brazil, Spain, Mexico and Chile.
- Training and raising of awareness of employees and suppliers on environmental management practices, with special focus on reduction of consumption and waste management.
- Incorporation of environmental criteria when purchasing forest products (furniture, paper, etc.) and electricity.
- Offsetting of emissions related to travel and lodging of executives attending the Executives' Annual Convention.
- Participation in the international campaign promoted by WWF Adena the *Earth Hour*, by means of the switching off of the lights in several Bank's office buildings in various countries.

### Banco Santander Technology Centre in Cantabria

The new Banco Santander Technology Centre in Cantabria was inaugurated on 16th December 2011. Equipped with two Data Processing Centres, it joins the Group's network of Data Processing Centres in Madrid, London, Querétaro and São Paulo. This new Centre is an international reference, as it is 35% more energy efficient than the most efficient centres in the world to date. The Bank expects obtain Gold level LEED sustainable building certification for the North unit of the Technology Centre, awarded by the US Green Building Council.



The Group's new data processing centre in Cantabria, Spain

## Analysis of social and environmental risk in loans

Santander considers it is important to evaluate social and environmental issues in credit risk analysis and decision-making processes. Corporate risk units are responsible for assessing environmental and social risks of the projects submitted by the business areas for approval in accordance with Group policies. To do so they complete questionnaires that include all social and environmental criteria in relation to each project. The Bank also provides training on social and environmental issues to both the risk teams and the business areas.

During 2011, specific training on social and environmental risks was given to 49 specialists from risk and business teams.

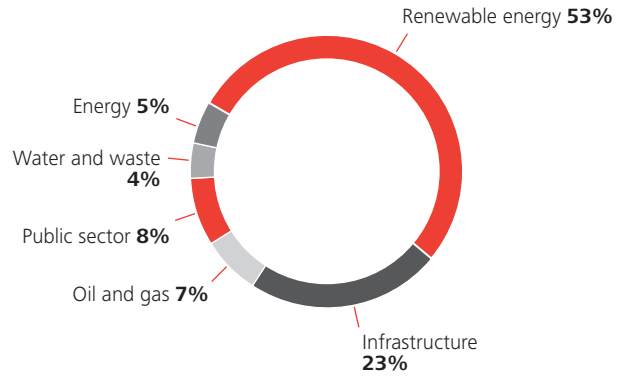
Constant dialogue is also maintained with stakeholders, mainly NGOs, analysts and investors, which enables the Bank to adjust and update the analysis process and tools used in relation to socio-environmental risks, adapting them so that they take into account the most relevant technical features.

In this field, it is remarkable the adoption of the Equator Principles for project finance loans Group-wide, and the social and environmental risk analysis performed by Santander Brazil.

The Equator Principles are based on the social and environmental standards of the International Finance Corporation and the general guidelines in this matter issued by the World Bank. IFC performance standards are currently under review, and this will affect the contents of the Equator Principles. As a signatory to those Principles, Banco Santander participates actively in analysis of the implications of the upcoming edition of the Equator Principles, planned to be issued in the first half of 2012.

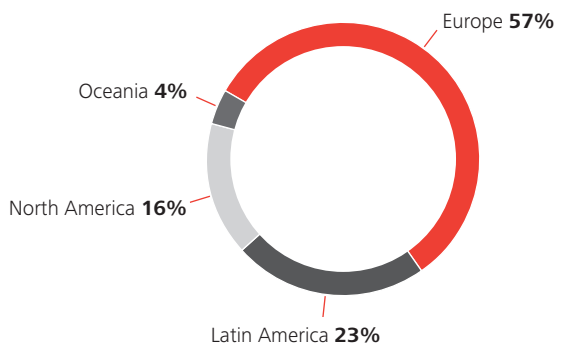
## Structure of projects analysed by sector

(%) Amounts in excess of 10 million US dollars



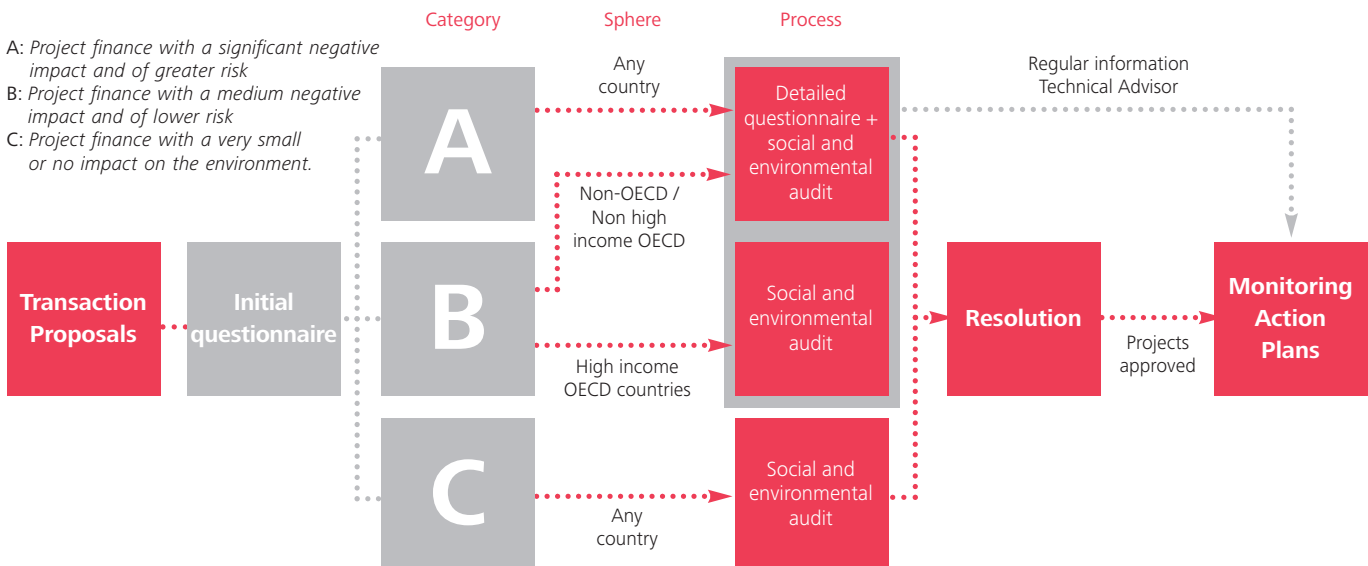
## Structure of projects analysed by geographical area

(%) Amounts in excess of 10 million US dollars



## Procedure for analysing social and environmental risk according to the Equator Principles in project finance

Amounts in excess of \$10 million





Solar energy park in Campania, Italy.

### Structure of operations financed (project finance) in 2011 by region and categorisation according to the Equator Principles

(Number of transactions) Amounts in excess of 10 million US dollars

Region	Number of transactions and Equator Principles category			Total
	A	B	C	
Europe	0	18	10	<b>28</b>
North America	0	5	4	<b>9</b>
Latin America	0	6	2	<b>8</b>
Oceania	0	1	1	<b>2</b>
<b>Total number of projects</b>	-	<b>30</b>	<b>17</b>	<b>47</b>
<b>Total value of projects</b> (Million euros)	-	<b>16,250</b>	<b>4,870</b>	<b>21,120</b>

During 2011, Banco Santander did not reject any financing transaction because of failure to comply with the social and environmental requirements established by the Equator Principles.

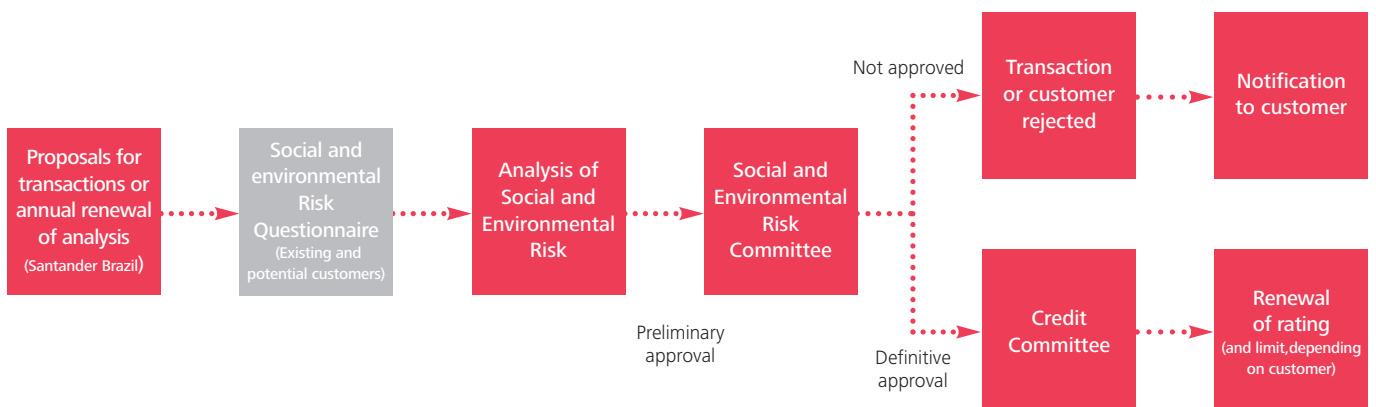
#### Analysis of social and environmental risk in Santander Brazil

Santander Brazil's social and environmental risk analysis methodology is regarded as a global leader. It is applied to wholesale banking customers with limits or credit risk in excess of EUR 500,000.

Analysis includes assessment of legal, social and environmental requirements regarding soil contamination, deforestation working conditions, etc.

Nearly 1,100 customers were analysed in 2011. A multidisciplinary technical team analyses customer social and environmental practices, while financial analysts evaluate the credit risk in this sphere. In addition, the commercial area receives regular training on social and environmental risks.

### Social and environmental risk process for corporate lending, Banco Santander Brazil





ENCE Biomass Plant, Spain



Rodera and Bandelera wind farm, Salamanca, Spain

## Development of financial solutions

Banco Santander contributes to the global objective of fighting climate change by providing financial solutions as well as through its leadership at international level in the financing of renewable energy. Furthermore, Santander has known how to adapt to market changes taking advantage of new business opportunities that have arisen.

## Financing of renewable energy

### Project Finance

Financing the construction and operation of wind farms, solar photovoltaic panel plants, solar thermal power stations, hydraulic and mini-hydraulic plants with a total installed power capacity of 6,837 MW. These operations are related to projects located in Spain, Portugal, Italy, the United Kingdom, Germany, the United States, Brazil, Chile and Mexico.

### Seed capital investment and venture capital

For these projects, the Bank acts as the promoter. In 2011 Santander invested in projects that, when completed, will have a total installed capacity of 2,344 MW, mainly in Brazil, Mexico, the United States, Spain, the United Kingdom, France and Italy.

### Leasing

In 2011, Santander financed 457 photovoltaic panel leasing operations in Brazil, Spain and Portugal, and a mini-hydraulic plant in Chile.

## Energy efficiency financing

- Spain: Banco Santander participates in the ICO (Instituto de Crédito Oficial) sustainable investment Spanish credit line for the granting of loans to companies and self-employed workers in activities that represent efficient use of resources and a reduction in environmental impacts. In this context, in 2011 the Bank has financed over 7,500 projects for an amount of over EUR 717 million.
- United Kingdom: financing of large scale solar panels for social housing under a scheme known as *Project Bright*, involving the installation of up to 100 MW of photovoltaic solar systems on the roofs of residential buildings run by social housing associations and local housing authorities in the United Kingdom.

## Financing in other sectors

- Banco Santander offers products and services for specific groups such as crop-farming and livestock companies. These products have been specially adapted to meet the needs of such sectors.
- Loans for vehicle and household appliance renewal. In Spain, in 2011, the Bank through its leasing programme financed the purchase of 4,787 hybrid or low CO<sub>2</sub> emission vehicles.
- In Brazil, the Bank finances retail banking customers for the development of environmental projects in relation to waste and water treatment.

## Environmental insurance

Specific policies for various sectors (mainly in the farming sector) covering weather damage and other natural risks. In 2011 the Bank underwrote 2,080 policies for this type of insurance in Spain and Chile.

## Carbon markets: carbon fund

Santander participates in the Carbon Fund for Spanish Companies (FC2E) together with other public and private companies. This fund buys carbon credits generated by renewable energy and energy efficiency projects in developing countries, putting them at the disposal of Spanish industry to facilitate compliance with their obligations to cut emissions, in accordance with the National Plan of Assignment.

Through the carbon fund, Santander contributes to the transfer of technology from developed to emerging countries, financing renewable energy and compliance with emission reduction by European industry in accordance with each country's National Plan of Assignment.

At the end of 2011 the Group held a portfolio of 2 million equivalent tonnes of CO<sub>2</sub> in the form of Emission Reduction Certificates and Units of Emission Reduction. In 2011 the fund added 19 new projects based on waste landfills, energy valorization of methane from coal mines and wind generation in China, Thailand and Brazil.

Currently the Bank and the FC2E are analysing the business potential and participation in the emission reduction sector in the post-Kyoto period (as from 1 January 2013) as well as the development of regulations and national and international legislation that will govern this market.



Turbera de Roñanzas, Asturias, Spain

## Biodiversity

Banco Santander's commitment to the environment is also reflected in its activity for the protection and conservation of the biodiversity. In this field, it is notable the initiatives of recovery of degraded natural areas and the several publications that Banco Santander Foundation carries out.

In 2011 Banco Santander Foundation published a *Sustainability and Natural Heritage Notebook* to commemorate the bicentenary of the birth of Charles Darwin and two *Sustainable Development Manuals*, one about the recovery of river banks, another about the recovery of the biological reserve of La Trapa in Mallorca.

In 2011 as part of the programme for the recovery of natural spaces and protection of biodiversity, the Foundation launched a project to reintroduce the *águila pescadora* in Huelva, which follows the projects initiated by the Foundation until now:

- Turbera de Roñanzas (Asturias).
- Reserva ornitológica de El Planerón (Aragón).
- Praderas marinas de Almería.
- Cuenca alta del río Salobre (Teruel).
- Reserva biológica de La Trapa (Mallorca).
- Entorno del embalse de Talaván (Cáceres).
- Espacios naturales de la isla de Tenerife.
- Tejada del Barranco del Hocino (Guadalajara).

The activities performed in these ecosystems led to the absorption of a total of 812 tonnes of CO<sub>2</sub>. It is estimated that when these ecosystems reach maturity, in approximately 15-20 years, their absorption capacity will reach 1,929 annual tonnes of CO<sub>2</sub>.

For further information see: [www.fundacionbancosantander.com](http://www.fundacionbancosantander.com)

## Grupo Santander's key environmental figures

- ➔ **17%** reduction in CO<sub>2</sub> emissions per employee
- ➔ **18%** of energy consumed comes from renewable sources
- ➔ **4%** saving in electricity consumption per employee due to the energy efficiency plan
- ➔ **812** tn CO<sub>2</sub> absorbed by restoration projects
- ➔ **9,181** MW of renewable energy financed in Spain, Portugal, Italy, France, the United Kingdom, Germany, the United States, Brazil, Chile and Mexico
- ➔ **19** new carbon fund projects (FC2E)
- ➔ **7,500** energy efficiency projects financed

# Santander and its stakeholders

## Shareholders and investors

### COMMITMENT

Banco Santander's commitment to its shareholders consists of two key elements: the creation of long-term value and maximum transparency of information. Santander treats all investors equally, fosters fluid dialogue and encourages their participation in the Bank's development.

### MAIN ACTIVITIES IN 2011

- ➔ Holding of *Investor Day* in London.
- ➔ *Santander Dividendo Elección scrip* dividend programme: Santander shareholders can choose to receive their dividends in cash or shares.
- ➔ Introduction of the electronic forum before the Bank's shareholders' meeting as a way to foster the informed participation of shareholders in meetings.
- ➔ Launch of various solidarity initiatives: *Solidarity Golf, Capacitas Grants*.
- ➔ Launch of global shareholder benefits via the [yosoyaccionista.santander.com](http://yosoyaccionista.santander.com) website.
- ➔ Opening of a shareholder relations office in Argentina.

### OBJECTIVES IN 2012

- ➔ Increased participation by shareholders in the general meeting, encouraging informed participation using electronic media.
- ➔ Development of actions to increase financial education in universities using the share as a reference.
- ➔ Extension of solidarity actions.

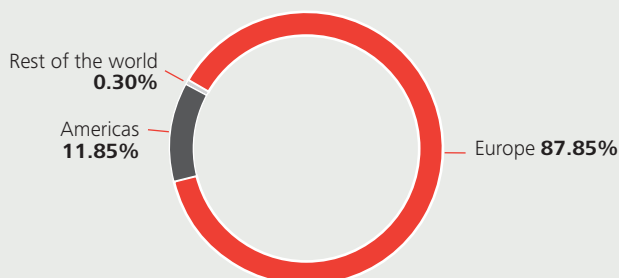
#### Distribution of the capital stock by type of shareholder

Number of shares and %

December 2011	Shares	%
Board	198,130,573	2.22
Institutional Investors	4,687,628,721	52.62
Individuals	4,023,283,909	45.16
<b>Total</b>	<b>8,909,043,203</b>	<b>100.00</b>

#### Capital stock

Geographical distribution



## Key figures

- ➔ **EUR 5,260** million assigned to shareholder remuneration
- ➔ **EUR 0.60** in nominal dividend per share for third consecutive year
- ➔ **13<sup>rd</sup>** bank in the world by market capitalization, and **1<sup>st</sup>** in the euro zone
- ➔ **EUR 50,290** million in stock market capitalisation at December 2011
- ➔ **3.3** million shareholders, a record number

### Profile of our shareholders and investors

Santander had 3.3 million shareholders all over the world at the end of December, making it one of the financial institutions with the largest number of shareholders in the world. Being able to count on such a broad base of shareholders provides Banco Santander with an enormous advantage which, at the same time, it represents a significant responsibility.

The board holds 198,130,573 shares, a high level of participation in capital compared with other banks, contributing to align the board's interests with those of shareholders. Individual hold 45.16% of the capital and institutional investors the remaining 52.62%.

European shareholders account for 87.85% of total capital stock, 11.85% is in the hands of shareholders in the Americas, with 0.30% held in the rest of the world.

### The Santander share and shareholder remuneration

The Santander share ended 2011 at EUR 5,870 euros, a drop of 26% compared with the end of 2010, caused by the severe financial tension in the euro zone that affected the sovereign debt of several countries and the performance of markets.

Santander remains in a privileged position as 1st Bank in the euro zone by market value and the 13th on the world, with a capitalization of EUR 50,290 million at the end of 2011.

Santander maintained shareholder remuneration during 2011 thanks to the good performance of its results. Dividend per share for 2011 increased to EUR 0.60, the same amount declared in 2009 and 2010, in line with the announcement by the chairman at the shareholders' meeting.

As part of this remuneration, Santander has the *Dividendo Elección programme* (scrip dividend), which enables shareholders to opt to receive an amount equivalent to certain dividends in the form of cash or new Santander shares. The Bank offers flexible remuneration, enabling its shareholders to benefit from tax advantages. Some 80% of the Bank's capital chose to receive shares in 2011.

Banco Santander paid against 2011 results:

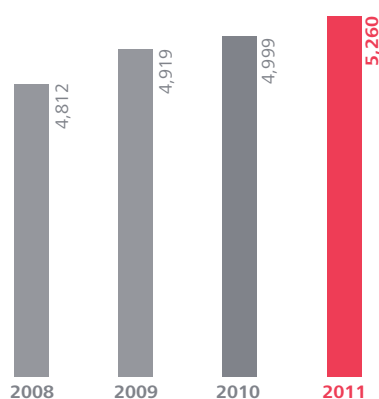
- A first interim dividend of EUR 0.135 per share (August 2011);
- A dividend of EUR 0.126 per share under the *Santander Dividendo Elección* programme equivalent to the second interim dividend (November 2011);
- A dividend of EUR 0.119 per share under the *Santander Dividendo Elección* programme equivalent to the third interim dividend (February 2012).

The board also approved applying the *Santander Dividendo Elección* programme, with a remuneration of EUR 0.220 per share, at the date when the final dividend is normally paid (April/May 2012).

This would bring the total remuneration per share to EUR 0.60 for the third year running.

### Total Shareholder Return

(Millions of euros)





General meeting of shareholders, 17 June 2011, Santander, Cantabria, Spain

## Encouraging participation in shareholders' meetings

Measures adopted by the Bank to foster informed shareholder participation in meetings include the following:

- Possibility of attendance at meetings owning just one share.
- No system to block shares in order to identify those who can attend the meeting. The sole requirement is to register in the name of the shareholder any number of shares five days before the meeting is held.
- Attendance at a distance by electronic means and exercise of the right to vote by post, physical methods or electronically.
- Possibility for shareholders to exercise their right to obtain information via an e-mail addressed to [junta.accionistas@santander.com](mailto:junta.accionistas@santander.com) as from the date of the convening of the meeting.
- Separate voting on issues such as the appointment of directors and on articles or groups of articles that are substantially independent in the event of changes to the corporate By-laws or the regulations of the meeting, except voting on full text of the By-laws or the regulations of the meeting.

Furthermore, it is envisaged that at the 2012 shareholders' meeting, the 2011 annual financial statements and the social management of the Bank and its consolidated Group will be voted on as separate items on the agenda.

- Delegation of the vote to any person, whether or not a shareholder.

The Bank usually calls meetings and makes available to shareholders via the Group's website and as of the date of publication of the convening, all the relevant information, including the proposed agreements to be submitted to the meeting.

## Communication with shareholders and investors

To provide the maximum transparency in information and stimulate the interest and participation of more than 3.3 million shareholders in the Bank's issues, there are shareholder relations offices in eight key countries for the Group: Spain, the United Kingdom, Mexico, the United States, Portugal, Brazil, Chile and Argentina.

These offices place various communication channels at the disposal of shareholders.

During 2011, a total of 232,430 telephone enquiries from shareholders were handled. The *shareholder mail box*, a channel that is being increasingly used, and that notifies the 234,065 subscribing shareholders promptly of Group news, handled 51,616 e-mails. Furthermore, 677,060 letters were received from our shareholders, and some of the matters and suggestions they contained were forwarded to the board.

With varying frequency, reports are published on the corporate website designed for the Bank's shareholders summarising Group activities, share performance, the economic situation, and informing them of the promotions and benefits available on the exclusive Santander shareholder website [www.yosoyaccionista.santander.com](http://www.yosoyaccionista.santander.com). Shareholders are also offered the possibility of receiving SMS informing them of the most significant Group-related news. In 2011 311,153 sms alerts were sent.

Furthermore, regular *shareholder forum* meetings are organised to make available information on the Group and its outlook, and answer all types of consultation and suggestions that may be raised. This year 206 forums were held, attended by 19,819 shareholders. In order to offer greater added value, well-known experts took part at some of these forums, contributing their analysis and experience.

The large shareholders unit of the shareholder relations office provides more personalised attention to a small number of shareholders that are of great importance in terms of their ownership of the Bank's capital stock. The unit fosters the participation of these shareholders in decision-taking.

Furthermore, during 2011, the customer relations area has carried out the following initiatives in the area of corporate social responsibility:

- *Santander Shareholders Solidarity Golf*. This initiative was started in Spain, and has since been introduced into five countries in which the Bank operates. By means of the holding of several tournaments, shareholders have been able to provide financial assistance to various NGOs. For further information, see: [www.golfsolidario.santander.com](http://www.golfsolidario.santander.com)
- For the third consecutive year, with the cooperation of the Universia Foundation, the *Capacitas Grants* programme for shareholders and their families awarded several grants to disabled students, each with a value of EUR 5,000.





Investor Day, 29 and 30 September 2011, London, United Kingdom



Emilio Botin's speech during the Investor Day, London, United Kingdom

## Investors

Banco Santander maintains a constant and fluid dialogue with investors through its investor and analyst relations department. During 2011, a total of 598 meetings were held with investors, and the Group has kept analysts and rating agencies permanently informed, involving personal contacts with over 1,350 investors and analysts.

In September, the Group's *Investor Day* was held in London. During two days senior management analysed the outlook, trends and strategic and financial vision of Banco Santander and its main business units. These *Investor Day* sessions were attended by over 300 people.

For the first time, a session was dedicated to sustainability, at which the Group's strategy in this area was presented. Those taking part included analysts, investors and rating agencies specialised in socially responsible investment, a market segment that is currently in a clearly expansive phase.

The investor and analyst investor relations area was chosen by investors (buy side) for the fourth year running as the best *IR team* at European level in the financial sector, and this year it received the same accolade from analysts (sell side), according to the survey carried out by specialised magazine Institutional Investors. The department has also continued to keep leading investors and analysts informed of the Group's policies in the field of sustainability.

## Presence in sustainability indexes

Santander is included in the main stock market indexes that analyse and measure company activity in the field of corporate social responsibility. Among the leading such indexes are the *Dow Jones Sustainability Index* and the *FTSE4Good*.

*DJSI World* is a stock market index that incorporates 10% of the 2,500 companies in the *Dow Jones World Index* - those with the best performance in the economic, environmental and social dimensions. *DJSI Stoxx* consists of 20% of the leading sustainability companies on the European index (*Dow Jones Stoxx Index*). Company performance is evaluated on the basis of an annual questionnaire which includes all aspects of sustainability classified in three dimensions: economic, environmental and social. Rating agency Sustainability Asset Management subsequently performs an analysis to award a rating.

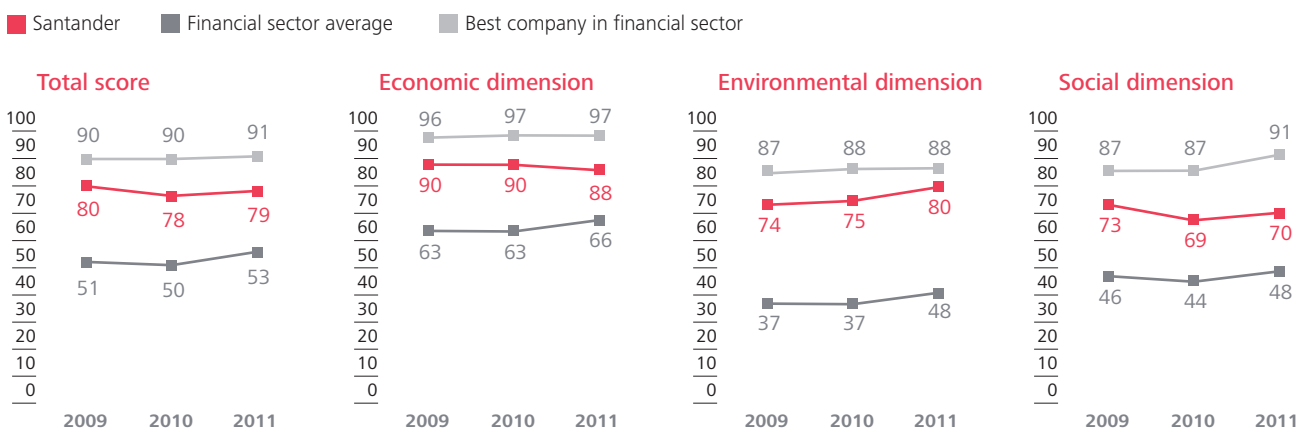
As can be seen from the results achieved and the charts for 2011, the Bank continues to be among the 15 most sustainable financial institutions in the world, out of a total of almost 200 institutions analysed.

The Bank is also included on other responsible investment indexes, such as *Ethibel Excellence Europe* and *Ethibel Excellence Global Index*.



## Presence in sustainability indexes

Evolution of the Santander share on the DJSI World Index in 2009, 2010 and 2011



# Santander and its stakeholders

## Customers

### COMMITMENT

To achieve the highest service quality and levels of customer satisfaction, maintaining stable relationships and offering the products and services best adapted to their needs and risk profile.

### MAIN ACTIVITIES IN 2011

- ➔ Implementation of strategic service quality programmes in Mexico, Chile, Argentina, Brazil and the United Kingdom.
- ➔ Installation of a governance model to monitor quality of service with the involvement of the Group's first level of management.
- ➔ Incorporation of quality indicators to the objectives and incentives at various levels of the organisation in Argentina, Brazil, Chile, Spain, Mexico and Portugal.
- ➔ Expansion and improvement to the incidents model in Spain, the United Kingdom, Brazil, Portugal and Mexico. Implementation in Openbank.
- ➔ Development of the customer service culture through training and internal communication initiatives.
- ➔ Creation of the post of Brand Customer Experience Manager to vouch for the consistency between the brand promise and the customer's experience.
- ➔ Commitment of the Santander brand to achieve in the medium term the average for its peer group in quality of service in the markets where it operates.

### OBJECTIVES IN 2012

- ➔ Consolidation of the medium-term strategic quality programmes defined and launched in Mexico, Chile, Argentina, the United Kingdom and Brazil. Update of the programme in Spain.
- ➔ Progress towards systematisation of quality control and its integration within commercial management.
- ➔ Incorporation of quality indicators for retail business areas, from branches through to the Group's first level of management.
- ➔ Development of the corporate incident and complaints model. Launch of the model in other countries.
- ➔ Strengthening of the incorporation of service culture as one of the basic pillars of focus on the customer.



Santander branch in Madrid, Spain



Banco Santander participates in the Webdate Conectad@s day, Madrid, Spain

## Customer profile

Customers are the focal point of Banco Santander's activity. Focus on the customer, services and striving for maximum satisfaction are the Group's priorities.

Santander has 102 million customers, of which 40.6% are in Latin America, 25.7% in the United Kingdom, 32.1% in the rest of Europe, and 1.6% in the United States.

The Bank stands out from other global competitors because of its focus on the retail business, as can be seen from the fact that 99.8% of the Group's customers are in the retail banking and consumer credit segments.

The most lasting customer relationships, and those with the greatest added value, are generated and maintained at branch level. Santander has 14,756 branches largely spread across the 10 main markets in which it operates, making it the largest international banking network. In addition, the Bank provides services through other channels, such as Internet banking, telephone banking and mobile banking.

Banco Santander staff receive continuous training to be able to provide information to customers in a transparent and truthful manner, providing them with a better service. All this contributes to promoting the development of a confident and responsible customer relationship.

The Bank offers customers a broad range of products and services on the basis of their individual profile, striving to satisfy their requirements in the most efficient manner.

In 2011, in response to the difficult moment being experienced by some customers of the Bank in Spain, a three-year forbearance period was offered on mortgage principal repayment for those customers in financial difficulty. Almost 6,000 customers have benefitted from the offer.

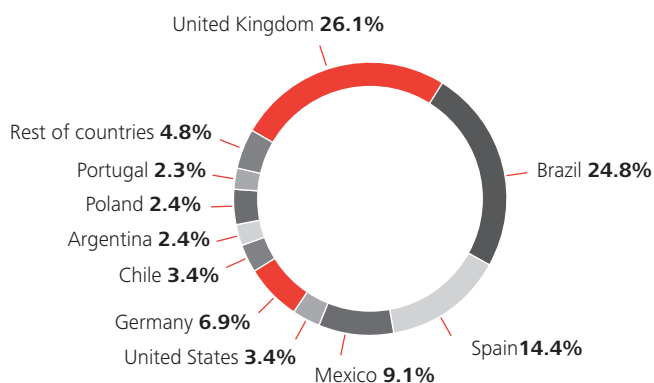
## Total Group customers

(Thousands)

Santander Branch Network	9,588
Banesto	2,376
Santander Totta	2,000
Openbank	478
Ibanesto	225
Germany	991
Poland	2,355
<b>Total Continental Europe</b>	<b>18,013</b>
<b>Total USA</b>	<b>1,660</b>
<b>Total UK</b>	<b>26,256</b>
Brazil	25,299
Mexico	9,307
Chile	3,465
Argentina	2,483
Colombia	297
Puerto Rico	392
Uruguay	247
<b>Total Latin America</b>	<b>41,491</b>
<b>Total Private Banking</b>	<b>166</b>
<b>Total Global Wholesale Banking</b>	<b>39</b>
<b>Total Retail Banking</b>	<b>14,517</b>
<b>Total customers</b>	<b>102,142</b>

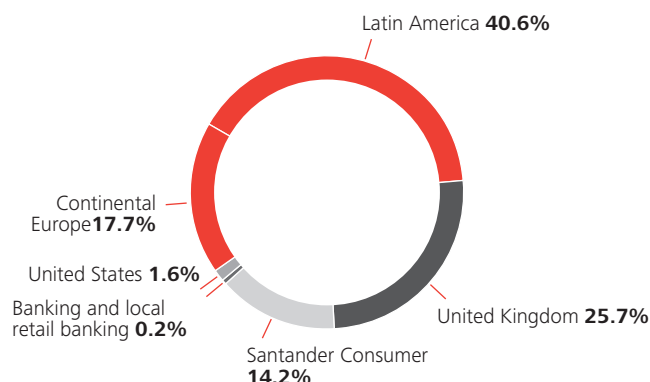
## Customers by country

%



## Customers by region and business

%



## Quality of service and customer satisfaction

Quality of service is a fundamental part of Banco Santander's strategy.

To ensure and continuously promote service quality, the Bank makes use of a corporate quality management model (META 100) adopted in an increasing number of countries every year.

The corporate customer and quality unit continuously monitors the implementation of this model in each country in close cooperation with them, holding seminars for the face-to-face exchange of ideas and best practices, as well as by means of online tools (the retail banking website and teleconferencing).

In 2011 the META 100 corporate quality model incorporated new measurements (attributes associated with the service offered, or in the after-sale process for products such as cards or insurance). The META 100 model enables rigorous analysis of these metrics that reflect the voice of the customer as well as internal quality indicators determined by inter-disciplinary forums known as quality round tables.

Throughout the year Banco Santander has carried out different measures to improve its quality of service.

In United Kingdom the Bank developed a strategic plan based fundamentally on the improvement of:

- the management of the front line (queue in offices and service of contact center),
- the processes, critics for the customers (for example, migration of accounts or reinstatement of lost cards),
- the management of the complaints and claims,
- the impulse in the culture of service.

### Customer satisfaction

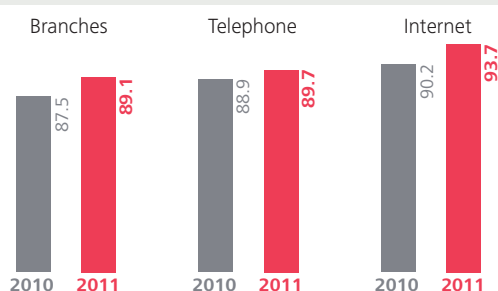
% satisfaction of individual borrowing customers

Banco	2011	2010	2009
Spain, Santander	88.0	89.1	85.8
Spain, Banesto	91.2	91.8	89.9
Portugal	92.9	91.7	91.4
United Kingdom	89.1(*)	80.7	84.8
Argentina	91.8	94.5	94.4
Brazil	83.0	86.0	85.7
Chile	90.4	89.2	86.4
Uruguay	83.7	-	-
Mexico	95.6	89.2	94.0
Puerto Rico	96.6	-	-
<b>Total</b>	<b>88.2</b>	<b>86.0</b>	<b>87.0</b>

(\*) Not comparable with previous years because of change of methodology.

### Customer satisfaction by channel(\*)

% satisfaction of individual borrowing customers



(\*) Internet data does not include Mexico, Santander Branch Network, Banesto, United Kingdom, Uruguay and Puerto Rico, and the telephone data does not include Santander Branch Network, Uruguay and Puerto Rico.

In addition initiatives have been realized as the return of the service of the contact center located outside the United Kingdom to the own country, or the incorporation of more than 600 persons in the offices in order to improve the given service.

Furthermore, in 2011 the quality teams in Argentina, Mexico, Brazil and Chile have been strengthened. A quality area has also been set up at Sovereign to implement the Group's quality model.

In addition, significant training efforts have been carried out, incorporating training modules on service quality in the main banks for their induction courses. Programmes have also been launched to develop service culture, such as *El año del servicio* in Chile, *Nuestro estilo* in Argentina and *Impulsa tu lado Pro* in Banco Santander Spain.

A total of 88.2 % of the customers of Banco Santander declares to be satisfied. This level of satisfaction generates a major entail, nearness and loyalty. As aim for 2012, the lines of work will be thrown of consistent form to continue increasing the ratios.

## Incidents and complaints

Santander has an advanced corporate model, known as MIRÓ, to manage all customer complaints communicated to the Bank through the various relationship channels.

The purpose of MIRÓ is to promptly resolve all such incidents. To do so, it transfers them to specialised units for their handling, and keeps customers informed at all times of the status of their complaints. MIRÓ also enables identification of the main reasons for customer dissatisfaction and the causes of complaints, so that it is possible to generate action plans for their correction.

In 2011, MIRÓ was adopted by Openbank and in the United Kingdom. In 2012 it is planned to extend its use into other Group countries, such as the United States.

In 2011 significant progress was also made in the introduction of the corporate complaints model that is intended to unify criteria applicable in the management of customer attention services in the various units of the Group.

The corporate complaints model is based on three elements:

- Policies for actions designed to improve customer attention, confidence and satisfaction.
- Decision-making based on agile and efficient governance systems, with information reported to the top management level.
- Handling of complaints in line with both current regulations and sound banking practice required by the regulators in each country.

In 2011 a review was performed of the complaints handling system in each country, incorporating to the information registers the details of complaints in relation to Bank Zachodni WBK (Poland), Sovereign (USA.), Santander Peru and Santander Uruguay.

Group Santander bears in mind very the claims of his customers who come to him across the central banks from each one from the countries where it is present. Though it is a question of official not comparable information, since every regulatory organism uses his own methodology for his measurement, Banco Santander follows with special interest these incidents to manage them in a best possible way.



Santander Branch in London, United Kingdom

In 2011, in United Kingdom, the number of complaints informed to the Financial Service Authority got down 19 % with regard to the previous year. The number of claims to the Financial Ombudsman Service during the second semester of the year got down 8 % of with regard to the same period of the previous year.

In Brazil, the process of integration of Banco Real and Banco Santander do supposed an increase in the number of claims before the Central Bank Brazil during the second semester of 2011. In January, 2012, once finished the integration and realized the necessary adjustments, the volume of claims diminished significantly.

#### Officials Complaints by central local banks

	Volume		Regulatory organism
	2011	2010	
Spain(*)	na	430	Bank of Spain
Banesto(*)	na	490	Bank of Spain
United Kingdom	356,145	440,453	FSA. Finanacial Group
Brazil	2,706	732	Central Bank of Brazil
Mexico	11,891	9,908	Condusef, Central Bank of Mexico

(\*) The publication of official information is realized in July, 2012.

#### Support for SMEs

Banco Santander contributes to the development of SMEs offering loans to support the growth of their business.

One highlight of actions in 2011 was the launch in the United Kingdom of the £200-million *Breakthrough* fund to assist in the development and expansion of small and medium-size companies recording annual growth of at least 20%.

In the United States, Sovereign's SME division launched its *Boost Your Business* programme designed to attract new customers and increase the linkage of existing customers. This programme offers SMEs very attractive interest rates, new financial products, and advice provided by a team of experts.

This initiative forms part of Sovereign's strategy aimed at achieving growth in SME lending in coming years.

## Corporate retail banking school

The corporate retail banking school, which celebrated its second year of operations in 2011, aims to establish a knowledge network to build up, validate and communicate to the whole Group best practices in retail banking, with two main purposes in mind:

- To improve the skills of the Group's retail banks.
- To facilitate and speed the adaptation and integration process of institutions that are incorporated to the Group.

In 2011 the principle achievements of the corporate retail banking school were as follows:

- Conclusion of the coding of the models and practices of the various countries in the area of individual customers. This process has enabled the compilation of significant information, ensuring that the business models in each region are clearly understood.
- Launch of the companies' school to take advantage of the experience gained in the case of individual customers.
- Incorporation of new countries, such as the United States, Poland and Germany, to ensure the development of business opportunities with a clear project agenda.
- Development together with Human Resources of international programmes for the rotation of professionals in key dominions.



## Nuestra idea de sostenibilidad: Potenciar a los jóvenes emprendedores.

Invertimos en el futuro de la sociedad financiando los proyectos de investigación de jóvenes universitarios.

 **Santander**  
EL VALOR DE LAS IDEAS

santander.com

Advertising campaign, Spain

### Sustainability in products and services

Banco Santander develops products and services that are responsible, sustainable and show a commitment to society, with the aim of facilitating access to the financial market by certain specific groups. Similarly, it offers the possibility of investing in socially responsible products and products that protect the environment.

#### Microcredits

These financial products facilitate access by least favoured groups to financial services, so that they can improve their social inclusion, the quality of their life and their local environment.

In Argentina, Brazil, Chile and El Salvador the Group finances the projects of more than 250,000 entrepreneurs.

In the page 27 of this Memory more information and detail is gathered on the initiatives of the Group in the area of the microcredits.

#### Products designed for students

The Bank develops financial products and services for students on preferential terms so that they can carry out their university studies. Of note are the financing of international travel programmes, including the cost of university registration, books, transport and lodging

Santander also reaches agreements with universities on introduction of the Intelligent University Card (IUC) as a means of student accreditation and access to the installations, and so they can conduct online procedures and borrow books from the library. The card can also be used to pay for public transport and can be optionally linked to banking services, including ATM transactions, or to a debit card.

#### Products in cooperation with NGOs

Santander provides products and services in cooperation with NGOs, such as the processing of Internet, so that customers can make their contributions quickly, easily and securely, while the beneficiary institution is provided online with all the information on donations made using the service. The Red Cross, Unicef and Cáritas are some of the NGOs participating in this initiative.

Banco Santander has also cooperated for many years with the Spanish Fundraising Association, sponsoring its annual congress, which in 2011 was held in Madrid. This gathering is attended by the main social action entities (NGOs, cooperation and development agencies, social and environmental organisations), with the aim of learning about the latest fundraising trends and techniques.

#### Products designed for immigrants

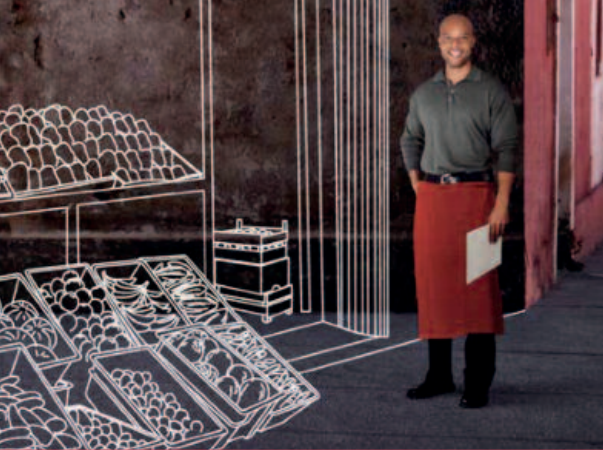
Through its retail network in Spain, Santander offers special products at all its branches designed to provide immigrants with easy access to the banking services they require. These include: *Superlibreta internacional Express*, *Tarjeta internacional Express*, Guaranteed savings plans and *Tarjeta Santander contigo*, which includes insurance providing free repatriation to country of origin in the event of death.

Other special services offered by the Bank for immigrants include: Santander envíos, a free money remittance service to over 25 countries in America, Africa and Europe, and Banesto's *Programa Welcome* that helps to integrate immigrants into the Spanish banking system.

#### Socially responsible insurance

In 2011, Brazil launched a campaign for insurance and savings products specifically targeting women. The insurance schemes are *Proteção Mulher*, *Vida Mulher* and *Previdência Prev Mulher*. Such insurance has been positioned in Brazil as an innovative product, achieving a high degree of loyalty and strong recommendation. Furthermore, the women taking out these products assisted with the research programmes of the Instituto Se Toque, allocating 10% of their first insurance payment to promotion of education and awareness of women in relation to the prevention of breast, uterine and ovarian cancer.

In Chile and Argentina, products such as *Súper Seguro Oncológico Mujer* and the *Seguro de Cáncer Femenino* offer women full protection in relation to risks of illnesses such as cancer.



# Nuestra idea de sostenibilidad: Comprometerse con las comunidades locales.

Desde 2002, más de 355 millones de euros destinados a microcréditos para fomentar el desarrollo de la economía local.



santander.com

Advertising campaign, Spain

## Socially Responsible Investment

Banco Santander is committed to developing socially responsible investment (SRI) channels. It has various products with different profiles adjusted to customers' investment demands. These products not only meet financial return criteria but also social and environmental ones, complying with recommended practices for corporate governance and transparency.

Banco Santander also has a portfolio management service which provides a personalised service for customers for administration of their portfolios in accordance with SRI criteria.

Banco Santander's experience in Spain with SRI began in 1995 with the launch of the first investment fund of this type. The Bank also played a pioneering role in Brazil with the launch in 2002 of the first investment fund following SRI criteria, the *Fundo Ethical Brasil*. In 2006 it led the way with the introduction of a global SRI service for the management of investment portfolios for institutional clients.

In 2008, the investment fund management arm of Santander Brazil adhered to the United Nations Principles for Responsible Investment (PRI). The PRI were created to incorporate analysis of environmental, social and corporate governance (ESG) criteria to asset management, assisting in long-term investment planning. Subsequently, in 2010, Santander Pensions Spain and the pension plan for Santander employees also signed the PRI. Adherence to these principles implies the Bank's commitment to apply ESG criteria to the assets it manages. The total volume managed by these funds in 2011 was EUR 54,626 million, 40% of all assets managed by the Group.

Also in Spain, Santander is one of the founding partners of SPAINSIF, a not-for-profit association to promote and develop SRI in the Spanish market, which represents all the players active in this sector in Spain (financial institutions, management companies, providers of SRI services, charities linked to SRI, and unions).

Socially responsible investment funds developed by Banco Santander include:

- **Inveractivo confianza FI** (launched in 1995) and **Santander Responsabilidad Conservador FC** (launched in 2003): ethical funds that invest in accordance with the values of the Catholic Church.
- **Santander Solidario Dividendo Europa** Europa (launched in 1999): a fund that focuses on investments in companies committed to human, labour and social rights and respect for the environment, with 21% of its management fee assigned to the NGO chosen by the investor from among the 19 NGOs that make up the fund.
- **Fundo de Investimento em Participações FIP Caixa Ambiental**: In 2010 Santander took over the management of *FIP Caixa Ambiental*. At the end of 2011 the fund's assets totalled EUR 115.5 million. Its purpose is to cooperate in developing infrastructure in Brazil. Its portfolio includes stakes in companies in the renewable energy, remediation and environmental services sectors.
- **Fundo Floresta Real**: this fund offers investors a return linked to the market price of carbon credits derived from the *Floresta Santander* project (reforestation of degraded areas in the Vale do Ribeira in the State of Sao Paulo). At the end of 2011, the fund's assets totalled EUR 31.5 million.
- **Fundo Ethical Brasil**: active for a decade, this is Latin America's first socially responsible investment fund. It invests in companies committed to environmental, socially responsible policies and corporate governance, and manages a volume of EUR 63 million.

## United Nations Principles for Responsible Investment

1. Incorporate ESG (\*) issues into investment analysis and decision-making processes.
2. Systematically incorporate ESG issues into our ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which we invest.
4. Promote acceptance and implementation of the Principles within the investment industry.
5. Work together to enhance our effectiveness in implementing the Principles.
6. Report on our activities and progress towards implementing the Principles.

(\*) ESG: environmental, social and corporate governance.



# Santander and its stakeholders

## Employees

### COMMITMENT

Santander aims to be among the best employers, promoting global management of talent, leadership, shared knowledge and the commitment of its professionals as key pillars to support its business strategy.

### MAIN ACTIVITIES IN 2011

- ➔ Launch of the new corporate model for talent development.
- ➔ Development of new tools within the corporate performance evaluation model for network managers and directors, incorporating the new competencies dictionary.
- ➔ Adaptation of remuneration policy to new European and Spanish legislation.
- ➔ Investment of EUR 112.7 million in training and launch of a system to measure the return on this investment.
- ➔ Start of an internal feedback process to measure satisfaction levels among professional staff.
- ➔ Launch of the *Santander Committed Volunteers* programme.
- ➔ Incorporation of new countries, such as Germany and Poland, to the *Santander is you* programme.
- ➔ Definition of the positioning in social networks through LinkedIn and negotiation of a global agreement for the introduction of the profile in 2012.
- ➔ Design functionalities of the new tool for collecting suggestions in Spain.

### OBJECTIVES IN 2012

- ➔ Extension of the corporate talent development model to other countries and divisions such as the United Kingdom, Insurance and Santander Consumer Germany.
- ➔ Launch of new talent development programmes, such as *Santander Leaders in Action (SLIA)*.
- ➔ Start to the implementation in all countries of the new corporate performance evaluation model for network managers and directors.
- ➔ Launch of an Action Plan to improve the satisfaction and commitment of professionals, with particular focus on the retail banking division.
- ➔ Extension of the *Santander Committed Volunteers* programme to other areas and countries.
- ➔ Implementation of the strategy for social network positioning.

## Management model for professionals

Banco Santander employs a total staff of 193,349 globally. Of these, 63,866 work in continental Europe, 26,295 in the United Kingdom, and 91,887 in Latin America and other regions where the Group is present. A total of 54% of Santander's employees are women, and 49% have university degrees. The average age of the staff on the payroll is 37, and the average length of service for the Bank's professionals is 11 years for men and 8.5 years for women.

Banco Santander's personnel management model is based on three main pillars:

- **Global management of talent and leadership.** Santander's talent and leadership model reflects its nature as a global Group, and responds to the various needs for hiring and retention of professionals on the basis of the business and economic cycle of each country.
- **Knowledge management.** Santander has its own training and knowledge model that aspires to become consolidated as a global leader of its kind.
- **Commitment of professionals.** For Santander, the commitment and satisfaction of the professional staff are key elements in its strategy. That is why since 2007 it has been promoting the *Santander is you* programme to encourage pride in belonging, cooperation between teams, and a sound culture of shared values.

### Global management of talent and leadership

Banco Santander's corporate talent development model is designed to identify the professionals best suited to fill the strategic positions required by the business.

In 2011 a review was performed of the main tools for evaluating professional skills, such as the development and mobility committees, the competence dictionary, and the performance evaluation model.

The development and mobility committees (CDMs) enable analysis of the talent and potential of Group executives, and they have gradually been expanding their role to ensure the launch and monitoring of concrete, personalised development programmes. The committees meet regularly and include participation by the CEO as well as other senior Group executives.

During 2011, the CDMs played a key role in responding to Santander's commitment to the development of internal talent: as many as 80% of Group vacancies have been filled from within the organisation.

The new corporate performance evaluation model for Top and Dir Red executives establishes the application of uniform criteria for the appraisal of corporate executives, and ensures a continuous evaluation process over the course of the year, with an active involvement of those being evaluated.

The new dictionary of competencies incorporates those elements essential to the Bank's strategy, such as customer service quality and the management of individuals and teams.

Santander has various programmes to develop high-potential professionals, the source of future senior executives:

- **Santander Training Executive Programme (STEP).** This is a corporate programme for the Group's future executives. The programme lasts three years and enables participants to rotate different functions and work in various countries while receiving training. In 2011 117 employees have participated in the programme, proceeding from 25 nationalities in all the editions.
- **Corporate Leadership Programme (CLP).** The fifth edition of this programme was launched in 2011, with the participation of 31 Group executives.
- **Executive Development Programme (PDD).** In 2011 this programme brought together 41 executives from 14 of the Group.

### Employees by institution

	No. of employees	% Male	% Female	% Graduates
Santander Spain	19,536	61	39	70
Banesto, Spain	8,369	62	38	50
Santander Totta, Portugal	5,676	54	46	43
Santander UK	21,074	41	59	8
Sovereign Bank Corp USA	8,567	31	69	26
Grupo Zachodni Poland	9,382	27	73	75
SCF Germany	4,302	45	55	28
SCF Italy	718	57	43	43
SCF United States	3,069	39	61	24
SCF Poland	2,752	28	72	62
Grupo Santander, Brazil	50,419	42	58	60
Grupo Santander, Mexico	12,528	49	51	67
Grupo Santander, Chile	10,348	46	54	36
Santander Argentina	6,545	53	47	19
Santander Puerto Rico	1,753	34	66	37
Santander Colombia	1,441	47	53	N/D
Other entities	26,870	51	49	53
<b>Total</b>	<b>193,349</b>	<b>46</b>	<b>54</b>	<b>49</b>

### Distribution of employees

By gender and geographical area

	Male	%	Female	%	Total
<b>Top and Dir Red</b>					
Continental Europe	1,537	80.2%	380	19.8%	<b>1,917</b>
United Kingdom	134	82.2%	29	17.8%	<b>163</b>
Latin America and rest	708	86.1%	114	13.9%	<b>822</b>
<b>Total</b>	<b>2,379</b>	<b>82.0%</b>	<b>523</b>	<b>18.0%</b>	<b>2,902</b>
<b>Rest of executives</b>					
Continental Europe	6,700	68.0%	3,143	32.0%	<b>9,843</b>
United Kingdom	977	71.8%	384	28.2%	<b>1,361</b>
Latin America and rest	5,433	65.6%	2,843	34.4%	<b>8,276</b>
<b>Total</b>	<b>13,110</b>	<b>67.3%</b>	<b>6,370</b>	<b>32.7%</b>	<b>19,480</b>
<b>Other staff</b>					
Continental Europe	24,134	47.2%	27,039	52.8%	<b>51,173</b>
United Kingdom	9,957	39.5%	15,239	60.5%	<b>25,196</b>
Latin America and rest	39,175	41.4%	55,423	58.6%	<b>94,598</b>
<b>Total</b>	<b>73,266</b>	<b>42.9%</b>	<b>97,701</b>	<b>57.1%</b>	<b>170,967</b>
<b>Group Total</b>	<b>88,755</b>	<b>45.9%</b>	<b>104,594</b>	<b>54.1%</b>	<b>193,349</b>



Ideas for leading 2011, Boadilla del Monte, Spain

There are also specific plans for the development of the talent needed by individual businesses or groups:

- The *Futuros Directivos* programme (FUDIS), designed to develop the potential of professionals from the Americas Division. In 2011 it launched the 21st series with the participation of 16 employees, making a total of 342 professionals for all its series.
- The *Plan Alcanza*, aimed at developing the talent of women on the staff. In 2011 there were 68 participants in its three different initiatives: the *Programa Engánchate* for new generations of employees, the *Programa Impulsa* for women in intermediate-level positions, and the *Programa Supera* for women in executive positions.
- 2011 saw the launch of the first edition of the *GB&M Leadership Programme* in association with the Wharton Business School, attended by 23 professionals from the Santander Global Banking & Markets division.

Also significant were the international mobility programmes such as *Mundo Santander*, with 211 participants in 2011 who worked for four months in another country on Group projects.

Regarding remuneration, transparency is a key issue for Banco Santander to obtain the confidence and trust of its shareholders and investors, especially in times like these of uncertainty and financial volatility. More detailed information can be found in the 2011 annual report.

On the matter of external talent, the *Santander can be you* programme has led to Santander becoming a leading player in the talent attraction business. Furthermore, the alliance between Santander and over 1,000 universities and business schools allows the Bank to gain access to the best international candidates.

In line with this policy for the attraction and development of the best talent, Santander UK has set up its *Young Talent programme*, and Santander Totta implemented its *Programa Santander Futuro* with the participation of 80 young new hires.

Santander Brazil, through its online *Caminhos e Escolhas* platform, provides professional guidance for young people embarking on a career.



Santander is you programme

### Percentage of executives working in their country of origin % (\*)

	Executives	Others	Total
Continental Europe	94.2	97.6	<b>97.5</b>
Latin America and rest	84.5	99.2	<b>99.1</b>
<b>Group Total</b>	<b>91.4</b>	<b>98.6</b>	<b>98.4</b>

(\*) Does not include Sovereign and United Kingdom

### Mobility Employees with nationality other than that of country of employment (%) (\*)

	Male	Female	Total
<b>Top and Dir Red</b>			
Continental Europe	6.5	3.2	<b>5.8</b>
Latin America and rest	16.9	5.9	<b>15.5</b>
<b>Group Total</b>	<b>9.6</b>	<b>3.7</b>	<b>8.6</b>
<b>Rest of executives</b>			
Continental Europe	4.0	3.2	<b>3.7</b>
Latin America and rest	3.4	2.3	<b>3.0</b>
<b>Group Total</b>	<b>3.7</b>	<b>2.8</b>	<b>3.4</b>
<b>Other staff</b>			
Continental Europe	2.3	1.9	<b>2.1</b>
Latin America and rest	0.7	0.6	<b>0.6</b>
<b>Group Total</b>	<b>1.3</b>	<b>1.0</b>	<b>1.2</b>
<b>Total</b>			
Continental Europe	2.9	2.0	<b>2.5</b>
Latin America and rest	1.3	0.7	<b>0.9</b>
<b>Group Total</b>	<b>1.9</b>	<b>1.2</b>	<b>1.6</b>

(\*) Does not include United Kingdom and Sovereign

## Knowledge management

Santander has its own training and knowledge model that seeks to achieve excellence through innovation, continuous improvement, and a thorough understanding of the needs of the business. This model also ensures communication of the Bank's values and strategic knowledge over the whole professional career of employees, encouraging the forming of communities and cooperation networks among them.

The best example of this is the Institute of Business Knowledge, noted for its corporate schools based on communities that share knowledge and can count on the participation of networks of experts in strategic areas of the business. In addition to the corporate risks school, set up in 2005, and the retail banking school, which started up in 2010 and already has 32 virtual communities in operation, the audit school began to operate in February 2011.

In 2011, an agreement was signed with the University of Cantabria for the setting up of the Santander Financial Institute for research in banking and finance.

2011 was also the year in which the school of in-house trainers became consolidated. The Bank's own executives participate in the transfer of knowledge and corporate values. A total of 2,460 trainers took part, with 2,294,000 training hours delivered.

All the Group's training activities are supported on *Santander Learning*, an advanced technology platform that already operates in 11 countries and 115 companies, and has served 68,400 users in over 27 active online learning communities.

In 2011, Grupo Santander invested EUR 112.7 million on training, benefitting more than 193,000 professionals, who each received an average of 37.5 hours of training. The increase of the investment compared to 2010 is due to the incorporation of new companies to the Group.

To be able to evaluate the return from this investment, in 2011 a new system was introduced to measure training impact, which assesses participant satisfaction, fulfilment of learning objectives, application of learning to the job, and its impact on the results for the business.

## Training

	2011	2010	% Var 2011-2010
Total training hours	<b>7,259,861</b>	7,080,733	2.5%
Employees trained (participants)	<b>193,834</b>	179,372	8.1%
Hours of training per employee	<b>37.5</b>	40.3	-6.9%
Total investment in training	<b>112,695,000</b>	103,400,000	9%
Investment per employee (euros)	<b>600.4</b>	578.0	3.8%
Cost per hour (euros)	<b>15.5</b>	14.6	6.2%
% female participants	<b>55.0%</b>	53.0%	2%
% e-learning training	<b>26.2%</b>	30.5%	-4.3%
Satisfaction evaluation	<b>8.6</b>	8.5	1.1%
% of hours with in-house trainers	<b>31.6%</b>	40.4%	-8.8%

## Executive training programmes 2011

	Group	Participants
Centre for Executive Development	Group	
Leading the Group's Growth	Top Red	143
High Return Leadership (LAR)	Top Red	16
Strategic Communication Programme	Top Red	11
Corporate Strategic Support Programme	Dir Red	310
Role of Leader	Dir Red	27
Corporate Leadership Programme (CLP)	Dir Red	31
Leadership in Management and Development of Talent	Dir Red	52
Executive Communication	Dir Red	76
Strategic Finance in Banking	Dir Red	35
Strategic Risk management	Dir Red	97
Programa Corporativo de Desarrollo (CDP)	Senior Executives	31
STEP (Santander Executive Training Programme)	Young High Potential	117
Corporate Managerial Curriculum (CMC)	Executives and Future Executives	1582
Challenges Facing Women Executives	Women Executives	275
A Friday to Share	Women Executives	155
Alcanza Plan	Women Executives and Future Executives	68
Cycle of Conferences Ideas for Leadership	Executives and Future Executives	2297
Programme for Future Executives in the Americas	Young High Potential	155
Apolo Programme	Retail Banking (Spain, Banco Santander)	17
Development Programme for Zone a+ Executives	Retail Banking (Spain, Banco Santander)	28
Advanced Programme for Executive Development (PDD)	Senior Executives Spain	41



First Santander Solidarity Race, Santander, Spain

### Commitment of professionals

Since 2007 the Bank has been promoting the *Santander is you* programme with the aim of making Santander one of the best companies in which to work.

This programme consists of various initiatives aimed at improving the satisfaction and the commitment of the Bank's professionals, encouraging pride in belonging, team cooperation and transmission of the Group's values.

Corporate initiatives developed during the course of the year include:

- The *Santander is you* week, held for the fourth time in 2011, with over 400 activities organised Group-wide concerned with solidarity, sports, family and the environment.
- The Third *Santander is you* Race held in the United Kingdom in 2011. The 57 participants spent 3 days travelling the 200 kilometres linking the main corporate centres in the country (London, Milton Keynes and Leicester). This edition included runners from Poland and Germany, a reflection of the integration of those countries within the corporate culture.

### Average age of employees

Years

	Men	Women	Total
Continental Europe	42.4	38.0	40.2
United Kingdom	33.9	36.1	35.2
Latin America and rest	36.8	34.9	35.8
<b>Group Total</b>	<b>38.5</b>	<b>36.0</b>	<b>37.1</b>

### Average length of service

Years

	Men	Women	Total
Continental Europe	16.2	11.3	13.8
United Kingdom	6.0	8.5	7.6
Latin America and rest	8.6	7.0	7.7
<b>Group Total</b>	<b>11.0</b>	<b>8.5</b>	<b>9.6</b>



Signing of agreement with UNICEF, Santander Committed Volunteers Programme, Madrid

### Santander Committed Volunteers

In 2011, Banco Santander set in motion in Spain the *Santander Committed Volunteers* programme, with the aim of promoting and encouraging employee involvement in volunteering initiatives.

The starting point for this programme was the signing in February 2011 of a cooperation agreement with Unicef to make a contribution to the education of children at risk of exclusion in Latin America. Subsequently, other leading third sector entities, such as the Red Cross, Aldeas Infantiles, Entreculturas and the Spanish Association Against Cancer joined the programme to facilitate participation by employees.

This programme was started in Spain, but the aim is to spread it gradually to all the countries where the Group is present, as well as to other activities, such as environmental protection and care of the disabled and the elderly.

In addition, the Bank has launched the [www.voluntariosantander.com](http://www.voluntariosantander.com) website to provide staff with information on the programme and offer them a range of opportunities to assist as volunteers. The Bank makes available to staff four hours a week for volunteering activities.

During the course of the year various initiatives were carried out to raise funds for the project being run by Unicef in the state of Oaxaca (Mexico). Actions carried out have included the *First Santander Solidarity Race* held in June at the time of the *Fourth Santander is you Week*. The race took place simultaneously in Madrid, Valencia and Santander, with over 3,000 participants and 200 volunteers.

Since the start of the *Santander Committed Volunteers* programme, over EUR 150,000 have been raised.

### Active Listening Programme

In 2011, an internal survey began to be carried out by means of polls and research in various countries to determine levels of satisfaction among the Bank's professionals and their expectations, and to encourage their participation in the design of plans for improvement, so that together we can continue building one of the best companies in which to work.

As part of this process a *Great Place to Work* survey was held in Spain and the United States, as well as a study on the perception of professionals with regard to *Santander is you* in Argentina, Brazil, the United States, Portugal and the United Kingdom.

## Employee benefits

In addition to the fixed and variable remuneration making up the total compensation system at Santander, staff enjoy a series of benefits for themselves and their families.

Main staff benefits in Spain include:

- **Special financial terms** for bank products and services.
- **Pension plan** with annual contributions paid by the company. Plan management is performed by a control committee formed by representatives of both the employees and management, and since 2010 it has been governed by the Principles of Responsible Investment established by the United Nations.
- **Life insurance** in preferential conditions.
- **Financial assistance for education.**
- **Flexible remuneration programme**, including products and services on advantageous terms (health insurance, computers, child-care, etc.).
- **Child benefit**, paid as an additional social benefit according to the personal situation and number of the employee's dependent children. Assistance is also provided in the case of children with mental health problems and those requiring care at specialised centres.
- **Nursery Cheque and subsidy** covering part of the cost of the Nursery Education School for employees working in the Financial City.
- **Welfare assistance fund**, to pay for medical costs of employees, spouses and children not covered by Social Security.
- **Capacitas grants** for family members with disabilities, so that they can gain access to higher education.

## Equality and work-life balance

Santander promotes equal opportunities and a balance between professional and personal life. In the last few years, the Bank has launched pioneer initiatives in different countries in order to promote the conciliation of its professionals.

Over the course of the year, Banco Santander has received significant recognition in this field. In Spain in May 2011 it was granted an Equality award by the Ministry of Health, Social Policy and Equality in recognition of the Bank's efforts in areas of equality and conciliation,

Banco Santander has in 2011 once again been certified as a Family-responsible Company and it was also named as the *Best Place to Work* in Latin America in 2011, and among the best places to work in Chile, according to the annual report by the Great Place to Work Institute.

## Promotions

	Men	Women	Total
Continental Europe	2,660	2,643	5,303
United Kingdom	919	1,015	1,934
Latin America and rest	7,969	9,308	17,277
<b>Group Total</b>	<b>11,548</b>	<b>12,966</b>	<b>24,514</b>

## Types of contract

	Fixed	Temporary	Total
Continental Europe	60,037	2,896	62,933
United Kingdom	26,091	630	26,721
Latin America and rest	102,112	1,583	103,695
<b>Group Total</b>	<b>188,240</b>	<b>5,109</b>	<b>193,349</b>

## Types of employment

	Full Time	Part Time	Total
Continental Europe	61,050	1,883	62,933
United Kingdom	22,012	4,709	26,721
Latin America and rest	101,757	1,938	103,695
<b>Group Total</b>	<b>184,819</b>	<b>8,530</b>	<b>193,349</b>

## External rotation rate

	Men	Women	Total
Continental Europe	7.2	8.9	<b>8.0</b>
United Kingdom	20.1	16.2	<b>17.7</b>
Latin America and rest	15.5	14.6	<b>15.0</b>
<b>Group Total</b>	<b>13.1</b>	<b>13.3</b>	<b>13.2</b>

## Personnel distribution by age segment

%	<= 25 years	26-35 years	36-45 years	46-50 years	over 50 years
Continental Europe	4.1	32.4	31.2	13.3	<b>18.9</b>
United Kingdom	23.8	32.1	22.5	9.7	<b>11.9</b>
Latin America and rest	13.8	43.4	24.1	9.0	<b>9.7</b>
<b>Group Total</b>	<b>12.2</b>	<b>38.2</b>	<b>26.1</b>	<b>10.5</b>	<b>13.0</b>



Sports center in Santander Group City, Boadilla del Monte, Spain



CNIC, Boadilla del Monte, Spain

## Occupational health and safety

Santander promotes a work environment based on the health and welfare of its staff, paying particular attention to the prevention of work risks.

In 2011, the Bank continued to perform regular evaluations of workplaces to determine the conditions in which employees carry out their tasks, with the introduction of protection programmes for outstanding buildings. Santander operates in a cardiovascular health environment that is a leader of its kind worldwide, offering a series of services that help Santander employees take care of their health.

Furthermore, through the corporate intranet staff have access to advice and recommendations on nutrition, health, first aid, and action in the event of an emergency.

As part of the Group's commitment to the welfare of its staff, it has embarked on the second stage of the *Progression of Early Subclinical Atherosclerosis* (PESA) study, developed by the National Council of Cardiovascular Research (CNIC), Banco Santander and the Botín Foundation, led by well-known cardiologist Valentín Fuster. This study is a pioneering investigation into early identification of the risk of suffering cardiovascular illnesses. Santander has offered over 3,000 of its staff the possibility of taking part in this study, known as *Santander por tu corazón*. By 31 December 2011 a total of 1,449 tests had been performed.

Another example of this commitment to the promotion of health and welfare of staff can be seen in Argentina, where employees are able to undergo preventive check-ups coordinated by company doctors who also answer consultations from all over the country via e-mail. A *Welfare and Health* site is also available on the corporate intranet site.

In 2011, Santander Consumer Germany developed a comprehensive model for the promotion of health and welfare among its staff based on three main pillars: work medicine services, guidance on key aspects of health, and a programme of assistance for employees on various different matters of interest.

## Occupational health and safety indicators

Seriousness (days not worked for work accident reasons with time off 1.000 / number of hours worked)	<b>0.7</b>
Fatal accident rate (total accidents per 100,000 / number of employees)	<b>2.1</b>
Number of employees who died in an accident at work	<b>4</b>
Hours not worked because of common illness and non-labour accident	<b>10,719,511</b>

## Absenteeism rate per region

Continental Europe	2.8
United Kingdom	3.1
Latin America and rest	4.3
<b>Group Total</b>	<b>3.7</b>

## Santander health model: prevention of risk at work and promotion of health

- ➔ Standardised welfare and medical check-up models.
- ➔ Preventive medicine protocols: cardiovascular, back school, rehabilitation, ophthalmology.
- ➔ Campaigns to promote healthy habits.
- ➔ Nutritional policy and control.
- ➔ Value-added assistance service: facilitated access to the specialties most in demand.
- ➔ Training in the prevention of risks at work and health culture.
- ➔ Assessment, monitoring and control of work absenteeism.
- ➔ Control of risks at work: workspaces, lighting, advice on fixtures.



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## Human capital indicators

- ⇒ **27,622** new incorporations to the Group
- ⇒ **30,073** total employees joining
- ⇒ **27,346** total employees leaving
- ⇒ **12.7%** of employees promoted/total staff

### Relations with unions

For many years Banco Santander has maintained fluid dialogue with unions.

In October the European Works Council and Banco Santander signed a joint declaration on labour relations aimed at improving financial services that praised the Santander business model and defined the policies and practices that should be considered in dealing with customers and the marketing and sale of financial products.

### General Code of Conduct

Santander incorporates ethics as part of its corporate culture and values. The Bank's general code of conduct is communicated to all staff, and is available on the Group's intranet.

Moreover, the Bank is implementing a communication channel, through which employees can report any illegal act or the non-compliance of the general code of conduct.

- ⇒ **8,530** employees with part-time contracts
- ⇒ **76.7%** of employees with a collective bargaining agreement
- ⇒ **91.4%** of executives who work in their country of origin<sup>(\*)</sup>
- ⇒ **98.6%** of employees who work in their country of origin<sup>(\*)</sup>

### Santander and human rights

Banco Santander follows a corporate human rights policy that reflects its commitment on this matter in relation to each of its stakeholder groups.

In 2011, the Bank developed a specific training programme on sustainability that included guidance on human rights among other aspects.

Within the usual communications channels maintained by the Bank, in 2011 there were no reports of material incidents regarding failure to comply with human rights. No activities were detected that might have implied that the right of freedom of association and to adhere to collective agreements were at risk. Also, no incidents involving child exploitation or episodes of forced or non-consensual labour were identified.

<sup>(\*)</sup> Excluding United Kingdom and Sovereign

# Santander and its stakeholders

## Suppliers

### COMMITMENT

To optimise the cost-to-quality ratio of goods and services acquired, and maintain stable relations with our suppliers based on ethics and transparency.

### MAIN ACTIVITIES IN 2011

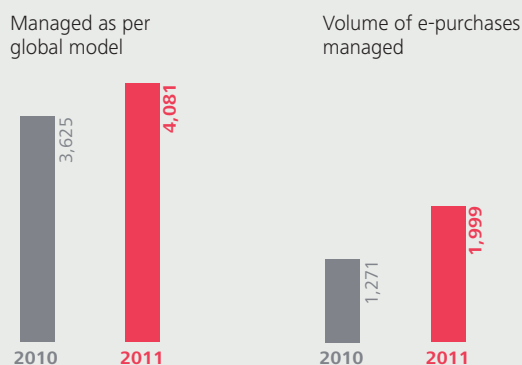
- ➔ Installation of Aquanima as the purchasing unit for Santander Consumer Bank Germany and Geoban (Spain, United Kingdom and Portugal), including the supplier accreditation process.
- ➔ Development of a new regulatory framework for the corporate policy on supplier accreditation, harmonising processes in the various regions in which the Group operates.
- ➔ Increase of 57% in online supplier negotiations
- ➔ Improvements to the Aquanima suppliers portal, transforming it into a two-way information channel.
- ➔ In 2011 and for the first time, Santander has launched a verification process of the compliance of the Global Compact principles by some of its main suppliers.

### OBJECTIVES IN 2012

- ➔ Continued progress with the installation of Aquanima as the Grupo Santander purchasing company in those regions where it is not used to handle purchasing.
- ➔ Launch and global implementation of the new corporate policy on supplier accreditation.
- ➔ Drawing up of a global supplier inventory as a basic element for control and improved assessment of services provided to the Group.
- ➔ To increase and diversify suppliers, while observing established accreditation procedures.
- ➔ Improved awareness of suppliers through concrete initiatives adapted to the realities of each country.

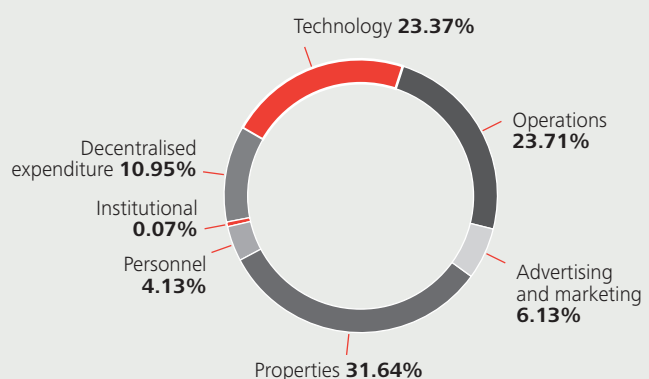
### Purchases

(Millions of euros)



### Volume managed by spending category

100% = EUR 4,081 Million





Vending area, Santander Group City, Madrid, Spain



## Suppliers and Grupo Santander

The Group interacts with its suppliers on the basis of ethics, transparency and mutual respect, focusing on economic optimisation and ensuring quality of the services received. Most of the contracts in the main countries in which the Group operates include a declaration by the supplier with a commitment to respect and comply with the 10 principles of the United Nations Global Compact to which the Group adheres, regarding human rights, labour regulations, protection of the environment and combating corruption.

Banco Santander maintains commercial relations with over 3,000 accredited suppliers, each of which may be billing over EUR 50,000 annually. Most of these suppliers (approximately 94%) are local, which means they operate in the same geographical area where the purchases and invoicing take place.

During 2011 the Group negotiated purchases from third parties for approximately EUR 4,081 million, of which EUR 1,998 million were processed on the online platform, an increase of approximately 57% compared with the previous year.

Over the course of 2011 Aquanima handled 4,528 purchasing processes, awarding contracts to a total of 3,549 suppliers.

## Supplier management

Grupo Santander's activity generates a significant volume of local and regional payments that requires a coordinated and efficient management to take into account both aggregate purchasing capability and the individual capabilities of each supplier within their business. In 2011 a new supplier accreditation policy was approved with the aim of improving processes and optimising activities in relation to supplier management.

Aquanima is Grupo Santander's purchasing unit. Its purpose is to handle relations with Group suppliers, to incorporate all Group companies within the negotiating system and to established accreditation procedures. During 2011 Aquanima installed the comprehensive supplier management system at Santander Consumer Bank and Gesbán. In 2011, the Bank has worked in the modification of the Ariba platform to enable the segmentation of suppliers according to the Group needs. This improvement will be effective in the platform during 2012.

## Supplier audit

As part of the revision work of the sustainability aspects in the Group, for the first time, in 2011 Santander has extended the verification of the sustainability Report to the supply chain. Therefore, Santander has launched a verification process of the compliance of the Global Compact principles by some of its main suppliers. This audit process was carried out by Deloitte in coordination with Aquanima, Global Businesses and the sustainability area. With this initiative, Banco Santander has taken a further step to ensure the sustainable management of its value chain.

## Communications channels

Grupo Santander has established communications channels with suppliers to ensure efficient contacts, allowing us to know their needs and anticipate their requirements. This communication generally takes place by means of the Aquanima web page, Aquanima [www.aquanima.com](http://www.aquanima.com) and the following channels:

- A contact e-mail address for the use of suppliers, where they can register their complaints, suggestions or simply offer their services as suppliers.
- The supplier portal, through which contract negotiations are channelled, supplier accreditation is processed, and requests for information are launched on the market. Full and complete information is based on the data that each supplier submits on a regular basis by means of an online questionnaire that ensures the availability of precise, updated and objective information.

















Furthermore, specific activities are carried out designed to maintain constant contact with our suppliers, such as the celebration of events to maintain a permanent contact and to know first hand their needs.

## Main Suppliers

By volume awarded 2011

	Spain	Portugal	UK	Brazil	Mexico	Chile	Argentina	USA	Germany	Uruguay	Colombia	Global
> 1,000,000 €	85	12	37	206	12	10	20	22	13	0	1	<b>418</b>
> 300,000 < 1,000,000 €	97	15	67	127	39	26	27	32	16	4	1	<b>451</b>
> 50,000 < 300,000 €	158	72	116	327	88	68	73	46	37	12	6	<b>1,003</b>
< 50,000 €	272	164	108	529	169	215	160	91	13	19	2	<b>1,742</b>
<b>Total</b>	<b>612</b>	<b>263</b>	<b>328</b>	<b>1.189</b>	<b>308</b>	<b>319</b>	<b>280</b>	<b>191</b>	<b>79</b>	<b>35</b>	<b>10</b>	<b>3,614</b>

## Monitoring of main objectives

Objectives for 2011	Report on 2011	Fulfillment
<b>Universities</b>		
Implementation of the Santander Universities Latin American grants programme (II Encounter with Rectors, Guadalajara)	First call for the award of 1,200 mobility grants for Latin American students, young teachers and researchers	100% 
Development and implementation of the financial education programme	Development of the <a href="http://www.finanzasparamortales.com">www.finanzasparamortales.com</a> portal to promote financial education in the university community	50% 
<b>Community</b>		
Promotion of microcredit and an increased number of beneficiaries	Increase in microcredit portfolio with 28.341 new customers during 2011 Sponsorship and participation at the 5th World Microcredit Summit	100% 
International activity by the foundations in art and cultural areas	Numerous significant activities in various countries: USA, Brazil, Poland, Italy and Spain	75% 
<b>Environment</b>		
Reduction of CO <sub>2</sub> emission and electricity consumption	Energy efficiency plan complied with	75% 
Incorporation of the social and environmental risk process in IT tools (NILO/AQUA platforms)	Integration of social and environmental analysis in NILO/AQUA tools	100% 
<b>Shareholders and Investors</b>		
Encouragement for informed participation by shareholders at shareholders' meetings	Implementation of electronic forum	100% 
Launch of the <a href="http://www.yosoyaccionista.santander.com">www.yosoyaccionista.santander.com</a> website globally	Achieved	100% 
<b>Customers</b>		
Implementation of a governance model throughout the Group to monitor quality with the involvement of senior management	Local quality committees have been set up formed by members of senior management	100% 
Incorporation of quality indicators in targets and incentives for support areas	Implemented at senior management and intermediate levels in Argentina, Chile, Spain and Portugal	50% 
Positioning the Santander brand in the medium term on a par with the mean for its peer group in service quality in the markets in which it operates	Start to improvements in service control and monitoring systems	50% 
<b>Employees</b>		
Launch of corporate volunteering programme	Implementation in Spain of the Santander <i>Santander Committed Volunteers</i> scheme	100% 
Extension of the <i>Great Place to Work</i> report to Spain.	Implementation of the report in Spain and the United States	100% 
Extension of the <i>Santander is You</i> programme to other countries	Inclusion of Germany and Poland in the <i>Santander is You</i> programme	100% 
<b>Suppliers</b>		
Extension of the purchasing management model and supplier approval centre	Implementation in Santander Consumer Germany and Geoban (Spain, UK and Portugal)	75% 
Control of compliance with supplier commitments to sustainability	Compliance audits	50% 

# GRI Index Contents

## Strategy and analysis

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<b>1.2</b>	p. 64-65

## Organizational profile

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<b>2.2</b>	p. 24-43 of the Annual Report
<b>2.3</b>	p. 8-9; p.18-43 of the Annual Report
<b>2.4</b>	p. 212 of the Annual Report
<b>2.5</b>	p. 8-9 y p. 13; p. 18-43, 51 of the Annual Report Note 3.c of the Auditor's Report and Annual Consolidated Accounts (p. 51)
<b>2.6</b>	p. 38-40; p. 212 of the Annual Report
<b>2.7</b>	p. 8-9; p. 28-43 of the Annual Report
<b>2.8</b>	p. 5, 8-9, 38-40, 49
<b>2.9</b>	Note 3 of the Auditor's Report and Annual Consolidated Accounts (p. 46-50)
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## Report parameters

<b>3.1</b>	Scope (Back cover)
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<b>3.6</b>	Scope (Back cover)
<b>3.7</b>	Scope (Back cover) and p. 32, 50
<b>3.8</b>	Scope (Back cover) Note 2.b of the Auditor's Report and Annual Consolidated Accounts (p. 23-25)
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<b>3.11</b>	p. 32, 44
<b>3.12</b>	p. 59-62
<b>3.13</b>	Scope (Back cover) and p. 66-67

## Governance, commitments and engagement

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<b>4.2</b>	p. 58-62 of the Annual Report
<b>4.3</b>	p. 61 of the Annual Report
<b>4.4</b>	p. 38-40, 55
<b>4.5</b>	p. 65 of the Annual Report p. 54-64 of the Auditor's Report and Annual Consolidated Accounts
<b>4.6</b>	p. 66-67 of the Annual Report
<b>4.7</b>	p. 64 of the Annual Report
<b>4.8</b>	p. 4, 10-13, 55
<b>4.9</b>	p. 10-13, 34-35, 54
<b>4.10</b>	p. 64 of the Annual Report
<b>4.11</b>	p. 12-13, 34-35; p.146-203 of the Annual Report
<b>4.12</b>	p. 10, 14-15, 34-35, 41
<b>4.13</b>	p. 10, 41
<b>4.14</b>	p. 64-65
<b>4.15</b>	p. 64-65
<b>4.16</b>	p. 64-65
<b>4.17</b>	p. 64-65

# Disclosure approaches/ Core indicators

## GRI G3 Indicators · Economic dimension

<b>Economic performance (p. 4-5, 8-9, 11-13)</b>		<b>Scope</b>	<b>Assurance</b>
EC1	Page 5	Group	✓
EC2	Pages 30-31 and 36	Group	(1)
EC3	Page 53 and GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
EC4	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group (except for Banesto)	(2)
<b>Market presence (p. 8-9, 50, 56)</b>			
EC6	Page 57	Group	(3)
EC7	Pages 50 y 55 and GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group (except for Sovereign and United Kingdom)	✓
<b>Indirect economic impacts (p. 10-14, 18-29)</b>			
EC8	Pages 18-29	Group	✓

## GRI G3 Indicators · Environmental dimension

<b>Materials (p. 30-32)</b>		<b>Scope</b>	<b>Assurance</b>
EN1	Page 32	Group	✓
EN2	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
<b>Energy (p. 30-32)</b>			
EN3	Page 32 and GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
EN4	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
<b>Water (p. 30-32)</b>			
EN8	Page 32 and GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
<b>Biodiversity (matters not considered a priority and, therefore, no specific management approaches are in place)</b>			
EN11	All headquarters of the Santander Group are located on urban land and, therefore,		
EN12	do not affect natural protected areas or areas of high biodiversity value.		
<b>Emissions, effluents and waste (p. 30-32)</b>			
EN16	Page 32	Group	(4)
EN17	Page 32	Group	✓
EN19	The Group's activities do not generate significant emissions of these substances.		
EN20			
EN21	All the Group's headquarters are located on urban land and, therefore, the water is channelled through the urban network.		
EN22	Page 32	Group	(5)
EN23	The Group's activities do not generate significant discharges of dangerous substances.		
<b>Products and services (p. 34-37)</b>			
EN26	Pages 34-35	Group	(6)
EN27	The Group's activities do not generate significant volumes of products with recoverable materials.		
<b>Compliance (p. 12)</b>			
EN28	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓

(1) Total monetary value is not reported.

(2) The information provided relates only to subsidy received for training.

(3) The percentage refers to the number of suppliers, not to the proportion of spending.

(4) Emissions from the use of courier services are not included.

(5) The method of treatment is not specified.

(6) The degree of reduction of the impact is not reported

**GRI G3 Indicators** · Social dimension: labor practices and decent work

<b>Employment (p. 48-49)</b>		<b>Scope</b>	<b>Assurance</b>
LA1	Pages 49 and 53	Group	✓
LA2	Pages 49, 52 and 53	Group	(7)
<b>Labor/management relations (p. 55)</b>			
LA4	Page 55	Group	✓
LA5	GRI performance Indicators published in the Sustainability section in www.santander.com	Group	✓
<b>Occupational health and safety (p. 54)</b>			
LA7	Page 54	Group	(8)
LA8	Page 54	Group	✓
<b>Training and education (p. 49-51)</b>			
LA10	Page 51	Group	(9)
<b>Diversity and equal opportunity (p. 53)</b>			
LA13	Pages 49 and 53 of the Sustainability Report Pages 54-57 of the Annual Report	Group	(10)
LA14	GRI performance Indicators published in the Sustainability section in www.santander.com	Spain	✓

**GRI G3 Indicators** · Social dimension: human rights

<b>Investment and procurements practices (p. 56-57)</b>		<b>Scope</b>	<b>Assurance</b>
HR1	GRI performance Indicators published in the Sustainability section in www.santander.com	Group	✓
HR2	Page 57 and GRI performance Indicators published in the Sustainability section in www.santander.com	Group	(11)
<b>Non-discrimination (p. 53 and 55)</b>			
HR4	Page 55	Group	✓
<b>Freedom of association and collective bargaining (p. 55)</b>			
HR5	Pages 11 and 55	Group	✓
<b>Child labor (p. 55)</b>			
HR6	Pages 11 and 55	Group	✓
<b>Forced and compulsory labor (p. 55)</b>			
HR7	Pages 11 and 55	Group	✓

**GRI G3 Indicators** · Social dimension: society

<b>Community (p. 4, 10-14)</b>		<b>Scope</b>	<b>Assurance</b>
SO1	Pages 18-23 and GRI performance Indicators published in the Sustainability section in www.santander.com	Group	✓
<b>Corruption (p. 12)</b>			
SO2	Page 13	Group	(11)
SO3	Page 13 and GRI performance Indicators published in the Sustainability section in www.santander.com	Group	✓
SO4	GRI performance Indicators published in the Sustainability section in www.santander.com	Group in Spain (except for Banesto)	✓
<b>Public policy (p. 10-14)</b>			
SO5	Pages 10, 14-15 and GRI performance Indicators published in the Sustainability section in www.santander.com	Group	✓
<b>Compliance (p. 12)</b>			
SO8	GRI performance Indicators published in the Sustainability section in www.santander.com	Group	✓

(7) The turnover rate is not broken down by age.

(8) The absenteeism rate is the only one broken down by region.

(9) Not broken down by employee category.

(10) Not reported the presence of minorities and other diversity indicators.

(11) Not reported in percentage.

**GRI G3 Indicators** · Social dimension: product responsibility

<b>Customer health and safety (p. 12)</b>		<b>Scope</b>	<b>Assurance</b>
PR1	Pages 12 and 34. Pages 196-197 of the Annual Report and GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	(11)
<b>Product and service labelling (p. 12)</b>			
PR3	Pages 13, 34 and 44. Pages 196-197 of the Annual Report and GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	(11)
<b>Marketing communications (p. 12)</b>			
PR6	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Banco Santander S.A.	✓
<b>Compliance (p. 12)</b>			
PR9	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓

**GRI G3 Indicators** · Product and services impact section

<b>Products and services impact (p. 34-35 and 46-47)</b>		<b>Scope</b>	<b>Assurance</b>
FS1	Pages 31, 34-35	Group	✓
FS2	Pages 34-35	Group	✓
FS3	Pages 34-35 and GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
FS4	Page 34	Group	✓
FS5	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
<b>Product portfolio (p. 8-9, 27-28, 36, 46-47)</b>			
FS6	Pages 8-9 and pages 28-43 of the Annual Report	Group	✓
FS7	Pages 27, 46-47	Group	(1)
FS8	Page 36	Group	(1)
<b>Audit (p. 66-67)</b>			
FS9	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
<b>Active ownership (p. 47)</b>			
FS10	Pages 34-36	Group	(11)
FS11	Pages 34-36 and 47	Group	(11)
FS12	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Group	✓
<b>Social dimension: community (p. 10-11, 27-28 and 46-47)</b>			
FS13	GRI performance Indicators published in the Sustainability section in <a href="http://www.santander.com">www.santander.com</a>	Banco Santander España	✓
FS14	Pages 27 and 46	Group	✓
<b>Social dimension: product responsibility (P.11-12, 24-25 and 27-28)</b>			
FS15	Page 12. Pages 196-197 of the Annual Report	Group	✓
FS16	Pages 11 and 28	Group	✓

(1) Total monetary value is not reported.

(11) Not reported in percentage.



### **Global Reporting Initiative**

This Report was drawn up in accordance with the guidelines of the Guide for preparing Sustainability Reports of the Global Reporting initiative (GRI) published in 2006 and known as G3. Banco Santander covers in its Corporate Social Responsibility Report the requirements associated with the a+ level of G3 application, as regards the profile, management approach and performance indicators, which have been submitted to verification mechanisms.

The index and the table of performance indicators, on basic GRI contents, indicate the pages and the coverage of the requirements, management approaches and indicators.

If central performance indicators are omitted, the page in the Report explaining why is given, after considering the principle of materiality.

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# Process of preparing the report

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The purpose of this Sustainability Report is to reflect the Bank's main activities in corporate social responsibility and in relation to each of its internal and external stakeholders (shareholders, customers, employees, suppliers and the community).

Banco Santander consults continuously with its stakeholders to identify aspects that are material to sustainability. Following its consultations, in 2011 it was decided to include a series of core sector indicators in the various chapters of the current report.

This Report is the Group's main tool for communicating aspects in relation to sustainability. It is complemented by the sustainability section of the [www.santander.com](http://www.santander.com) website and local reports from the various Group countries.

The Report has been prepared following the standards of the internationally recognised Global Reporting Initiative (GRI) and the principles of inclusiveness, relevance and capacity of response proposed by the AA1000 APS rules of AccountAbility. In the case of the GRI standards, for the third consecutive year information in relation to specific financial sector indicators has been included. This way, the Bank provide a better response to the relevant aspects raised by stakeholders.

## Participation of stakeholders and identification of relevant issues

Banco Santander maintains an active, fluid and transparent dialogue with its shareholders via the various channels for communication that have been established for the purpose, and which are managed by various areas within the Bank, such as the corporate unit for customers and quality, the shareholders area, investor relations, human resources, the risks area, integral management of spending, the Santander Universities division, asset and capital structuring and the retail units of the Bank in each country. Furthermore, the Bank's sustainability area also maintains regular contacts with stakeholders in the third sector to identify the matters that are of concern to them and their requirements for information, as well as to identify opportunities for improvement.

As a result, the following activities were performed:

- **Consultative process:** Various work meetings were held with customers, the media, shareholders, trade unions, suppliers, NGOs and foundations, as well as individual interviews with representatives of organisations specialised in each of the relevant areas of sustainability. These consultations were designed to determine the opinion of stakeholders on the Group's sustainability strategy and initiatives, as well as on the information in the 2010 Sustainability Report and its quality, format, ease of use and readability.
- **Analysis and identification of relevant issues:** Santander conducted a comparative study of the issues dealt with in the corporate responsibility reports of the main financial sector leaders in sustainability. It has also searched the press to identify those matters relating to social responsibility that have been assigned greatest importance, in particular those representing a reputational risk for the Bank and the financial sector. Furthermore, the Bank has taken into account the opinion of socially responsible investors and certifying organisations, as well as leading opinion formers in the financial sector.

## Results of the participation of stakeholders and the study to identify relevant issues

As a result of the consultations and the studies performed, we have identified significant aspects and opportunities for improvement on the matter of sustainability in comparison with the analysis in the 2010 Sustainability Report, and they have been classified as follows:

### The Economy

- **Current economic crisis.** Stakeholders have continued to demonstrate particular concern in relation to this matter. Nevertheless, thanks to its business model based on prudent risk-taking, the strength of its balance sheet, geographical diversification and corporate governance focused on creation of sustainable value, Banco Santander has remained an international leader in profitability, solvency and efficiency.
- **Transparency of information.** Transparency is one of the main pillars around which the Bank articulates its relationship with shareholders and stakeholders. The different documents that make up the annual report (annual accounts, audit and compliance report, appointments and remuneration report) and the sustainability report reflect the transparency effort made by the Bank. Furthermore, for the third consecutive year, Banco Santander has conducted a self-assessment of its performance in social responsibility areas, complementing the 2011 report on compliance with the objectives set in the previous year (see table on pages 14 and 15).
- **Reputational risk.** In a crisis situation, it is crucial to recover and to maintain the customers' confidence in the financial sector and to know their opinion. In particular, customers pay special attention to factors such as the security of transactions and transparency in commissions, interest rates and the features of the products and services offered. Also, in a difficult situation, the Bank's response to the current problematic is important. In this way, Banco Santander has contributed to mitigate the impact of the crisis, with actions like the three year moratorium on capital mortgage repayments for certain customers with financial problems in Spain.

### Environment

- **Combating climate change:** This issue is a matter of great international concern, and Banco Santander is becoming increasingly involved in the field through its ability to finance renewable energy projects and invest in energy efficiency.
- **Minimising consumption and emissions:** Banco Santander calculates its environmental footprint (see page 32) to develop energy efficiency improvement programmes for its corporate installations and branch networks to minimise their environmental impact.

### Community

- **Human resource management.** Job instability is another relevant issue. Despite the difficult situation, Banco Santander hasn't reduced employment and invests in the attraction and retention of the best international talent.
- **Supplier management.** It is necessary to assume that suppliers are strictly complying with the 10 Principles of the United Nations Global Compact in relation to the protection of human rights, labour regulations, the environment and the fight against corruption.
- **Financial inclusion programmes.** Such programmes are of particular importance in developing countries because they provide access to banking services by underprivileged communities and others. In mature markets such as Spain and the United Kingdom, programmes that promote the financial education have become very important.

As part of its commitment to maintain stable and lasting relationships with its stakeholders, Banco Santander will continue working to improve its dialogue with them, increasing the geographic scope and the number of organizations consulted.

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

## Independent Assurance Report on the 2011 Sustainability Report of the Santander Group

### Scope of our work

We have performed a review of the 2011 Sustainability Report (hereinafter referred to as "the Report") of Santander Group, the scope of which is defined in its back cover. Our work consisted of the review of:

- The adherence of the content of the Report to the GRI sustainability reporting guidelines version 3.0 (G3) as well as the core performance indicators and the financial services sector supplement indicators proposed in the aforementioned guidelines.
- The information included in the Report relating to the application of the principles of Inclusivity, materiality and responsiveness set out in the AccountAbility's AA1000 Accountability Principles Standard 2008 (AA1000APS).
- The information provided on the progress in corporate social responsibility (CSR) objectives for 2011.

### Assurance standards and procedures

We carried out limited assurance in accordance with International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with guidelines for engagements relating to the review of corporate responsibility reports issued by the Spanish Institute of Certified Public Accountants. Also, we have applied AccountAbility's AA1000 Assurance Standard (2008) (AA1000AS) to provide moderate assurance on the application of the principles established in standard AA1000APS and on the sustainability performance indicators (type 2 moderate assurance).

Our work consisted of making enquiries to Management and certain units of Banco Santander involved in the preparation of the Report, and of carrying out the following analytical procedures and sample-based review tests:

- Meetings with Banco Santander personnel to ascertain the principles, systems and management approaches applied.
- Analysis of the processes relating to the collection and validation of the reported information.
- Review of the 2011 Sustainability Committee meetings minutes.
- Review of the steps taken in relation to the identification and consideration of the stakeholders during the year and of the stakeholders' participation processes through the analysis of the available internal information and third-party reports.
- Analysis of the coverage, materiality and completeness of the information included in the Report on the basis of the understanding of Banco Santander of its stakeholders' requirements in relation to the relevant issues identified by the organization and described in the "Process of preparing the report" chapter.
- Review of the information relating to the management approaches applied to sustainability.
- Checking that the contents of the Report do not contradict any significant information furnished by Banco Santander in its Annual Report.
- Analysis of the adherence of the contents of the Report to those recommended in the GRI G3 Guidelines and verification that the core and sector indicators included in the Report agree with those recommended by these Guidelines and that any inapplicable or unavailable indicators are identified.
- Review on a sample basis, of the quantitative and qualitative information relating to the GRI indicators included in the Report and the adequate compilation thereof based on the data furnished by the information sources of Banco Santander.

### Responsibilities of Santander Group (hereinafter Banco Santander) Management and of Deloitte according to the assurance standards used

- The preparation and contents of the Report is the responsibility of the Sustainability Area of Banco Santander, which is also responsible for defining, adapting and maintaining the management and internal control systems from which the information is reported.
- Our responsibility is to issue an independent report based on the procedures applied in our review.
- This report has been prepared solely for Banco Santander management in accordance with the terms and conditions of our Engagement Letter. We do not accept any liability to any third party other than Santander Group management.
- We conducted our work in accordance with the independence standards required by the Code of Ethics of the International Federation of Accountants (IFAC).
- Our team consisted of a combination of professionals with assurance qualifications and professionals with social, environmental and stakeholder engagement experience and sustainability report assurance experience.
- Since a limited assurance is substantially less in scope than a reasonable assurance engagement, we do not provide reasonable assurance on the Report.

## Conclusions

The GRI Index Contents - "*Disclosure approaches/Core Indicators*" provides details of the indicators reviewed and of the limitations in the scope of our work, and identifies any indicators that do not cover all the areas recommended by the GRI Sustainability reporting guidelines version 3.0 (G3). As a result of our review, no other matters were disclosed that would lead us to believe that the Report contained material errors or that it was not prepared in accordance with the Guide mentioned before.

Also, the review procedures performed did not disclose any matter that would lead us to believe that Banco Santander did not apply the principles of inclusivity, materiality and responsiveness as described in the chapter "*Process of preparing the Report*" in accordance with standard AA1000 APS 2008:

- **Inclusivity:** stakeholders' participation in the development of a responsible approach of sustainability.
- **Materiality:** the process of determining materiality means the understanding of the material or important issues for Banco Santander and its stakeholders.
- **Responsiveness:** actions and specific commitments in response to the material issues identified.

Finally, our work did not disclose any matters that would lead us to believe that the information furnished about the progress made on sustainability objectives in 2011, in the "*Main Activities in 2011*" sections and "Monitoring of main objectives" in 58 page, contained material errors.

## Observations and recommendations

In addition, we presented to the management of Banco Santander our recommendations relating to the areas for improvement in sustainability management and in the application of the principles of inclusivity, materiality and responsiveness. Following is the summary of the most significant recommendations, which do not modify the conclusions presented in this report.

### Inclusivity

Banco Santander has conducted a sectorial materiality survey and an international consultation process with sustainability prescriptors in the financial services industry, following a similar methodology to the one used in prior years. Banco Santander also has communication channels with its local and corporate stakeholders, obtaining and providing information on an on-going basis. The periodic and structured integration of this information in the sustainability reporting system would help to promote inclusiveness and would result in a more proactive management of the material issues.

### Materiality

The material issues identified in the materiality study are prioritized mainly according to the importance given by the corporate social responsibility prescriptors' and the level of attention given by other companies in the industry to these issues in the public information they provide. Additionally, risks and opportunities related to sustainability are taken into consideration. The crescent importance of direct sources of information and the enhancement of the integration of this process with the definition of objectives and the corporate social responsibility balanced scorecard would help with the decision-making process and coordination in transactions.

### Responsiveness

In 2011 Banco Santander has integrated the analysis of social and environmental impacts of project finance in the Bank's computer management tools (NILO/AQUA) and has continued with the use of these analyses in the wholesale banking business in Brazil. However, there are areas of improvement related to the type of analysis carried out, the monitoring of the transactions or the widening of the scope of such policies beyond the area of project finance, as has already occurred in Brazil, to other types of finance and investment that could also have significant social and/or environmental impacts.

In the area of environmental management, in 2011 the Climate Change Office was created with the aim of improve the identification, dissemination and monitoring of the specific initiatives in this area, and the three-year efficiency plan was launched, involving periodic monitoring of the main environmental indicators. To improve reliability, information's quality and internal control, manual tasks used in data reporting should be reduced, and employee monitoring and training activities should be strengthen in each country.

Regarding the sustainability of the supply chain, in 2011 a corporate supplier's standardization policy was established including specific corporate social responsibility criteria, and strengthening the sustainability assurance by including a compliance review with the principles of the Global Compact for a selection of suppliers in each country, starting this year with Brazil. In 2012 the results of these initiatives should be analyzed and the necessary actions should be implemented within the Group.

Lastly, we recommend to progress in the periodic monitoring of the objectives set up each year related to sustainability in each country, and spread the practice of publishing local sustainability information when the particularity of the material issues require it.

DELOITTE, S.L.

  
Helena Redondo  
Madrid, March 8<sup>th</sup>, 2012



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# General information

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## **Banco Santander, S.A.**

The parent bank of Grupo Santander was established on 21 March 1857 and incorporated in its present form by a public deed executed in Santander, Spain on 14 January 1875, recorded in the Mercantile Registry on page 157 and thereafter, entry 859 of the Development Section of the Government of the Province of Santander. The Bank's bylaws were amended to conform to the law on limited liability companies by means of a deed authorised on 8 June 1992 and entered in the Santander Mercantile Registry in volume 448, general section, page 1, sheet 1960, first inscription of amendment).

The Bank is registered with the Special Registry for Banks and Bankers under code number 0049, and its tax identification code is A-39000013. It is a member of the Bank Deposit Guarantee Fund.

## **Registered office**

Corporate by-laws and additional public information on the Company may be consulted at its registered office at Paseo de Pereda, numbers 9 to 12, Santander.

## **Operational headquarters**

Santander Group City  
Avda. de Cantabria s/n  
28660 Boadilla del Monte Madrid

## **General information**

Telephone: 902 11 22 11  
Telephone: +34 91 289 00 00

## **Corporate website**

[www.santander.com](http://www.santander.com)

## **Division of communication, corporate marketing and studies**

Juan Manuel Cendoya, executive vice-president  
Joaquín de Ena, head of sustainability

## **e-mail:**

[sostenibilidad@gruposantander.com](mailto:sostenibilidad@gruposantander.com)

## **Shareholders' office**

Santander Group City  
Edificio Pampa, Planta Primera  
Avenida de Cantabria, s/n  
28660 Boadilla del Monte  
Madrid, Spain  
Telephone Numbers: +34 902 11 17 11 / +34 91 276 92 90

## **Investor and analyst relations**

Santander Group City  
Edificio Pereda, 1ª planta  
Avda. de Cantabria s/n  
28660 Boadilla del Monte  
Madrid, Spain  
Telephones: +34 91 259 65 14

## **Customer attention department**

Santander Group City  
Avda. de Cantabria s/n  
28660 Boadilla del Monte  
Madrid, Spain  
Telephones: +34 91 257 30 80  
Fax: +34 91 254 10 38  
[atencle@gruposantander.com](mailto:atencle@gruposantander.com)

## **Ombudsman**

José Luis Gómez-Dégano  
PO Box 14019  
28080 Madrid, Spain

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