

Sustainability Report 2017



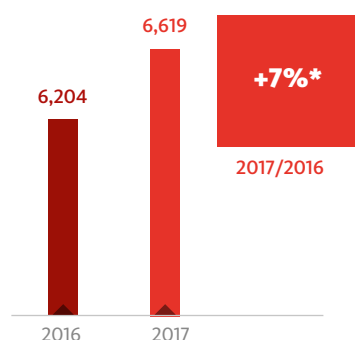
#Prosper

Santander: a responsible and sustainable bank

We generate stable and recurrent profit...

■ ATTRIBUTABLE PROFIT

(Millions of euros)



* +7.4% in constant euros.

Return on tangible equity (underlying)

11.8%

Fully loaded CET1 capital ratio

10.84%

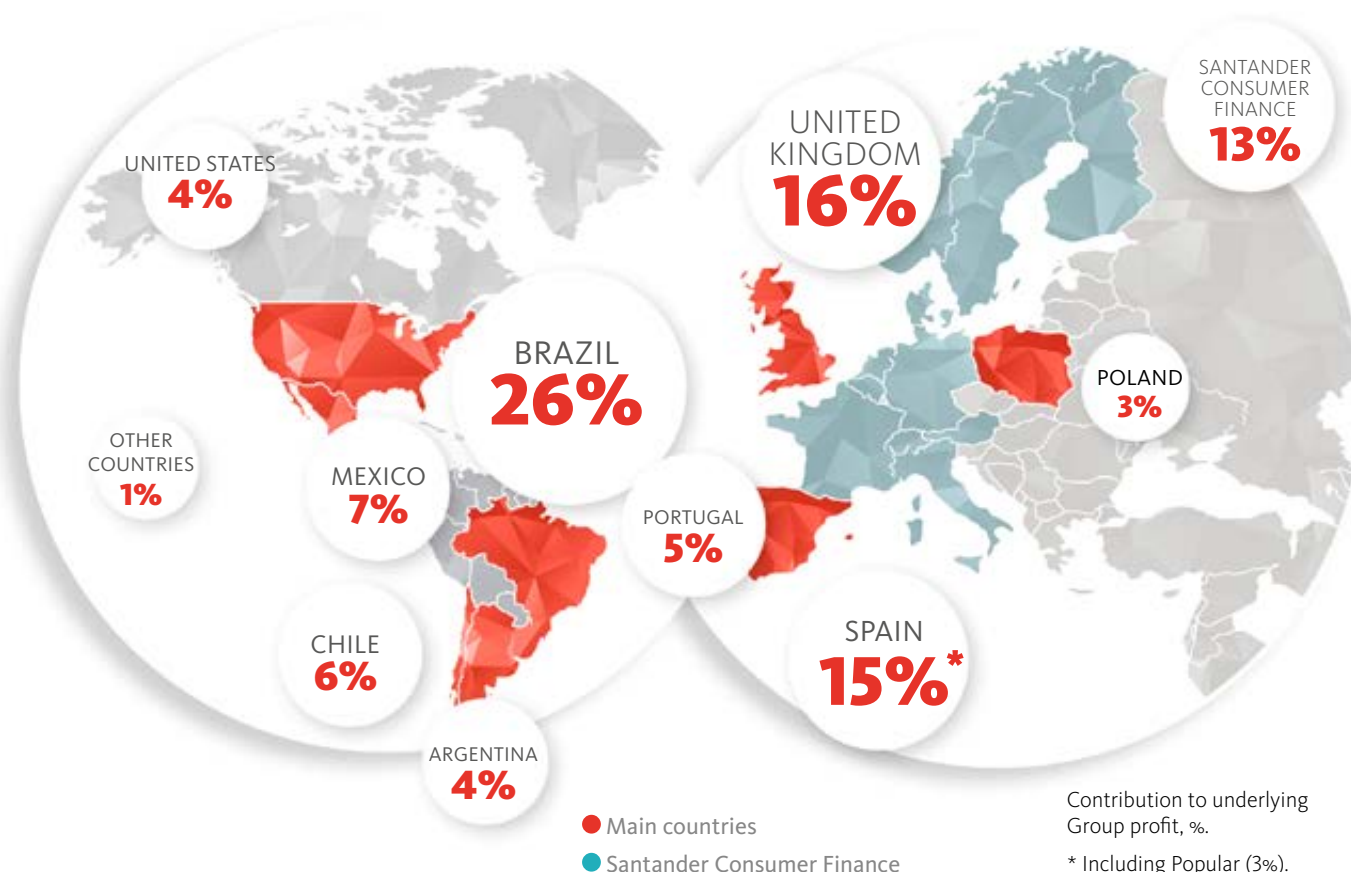
Efficiency (cost-to-income)

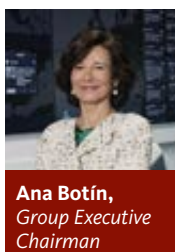
47%

NPL ratio

4.08%

Balanced geographic diversification is the key to our stable and predictable growth





“
Our purpose is to help
people and businesses prosper
”

Simple | Personal | Fair

...while contributing to social and economic progress in the communities where the bank operates

People

€12,047 million Personnel expenses ¹	97% Employees with permanent contracts	10 years Average length of employment	
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Customers

€848,914 million Loans outstanding (net)	€473,075 million to households €33,008 million to public administrations €288,912 million to companies €53,920 million to others ²	>250,000 Microbusinesses supported in Brazil and other countries	
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Shareholders

€3,540 million³ Total shareholder remuneration	€88,410 million Stock market value at year-end 2017, largest in the euro zone	€0.22 Dividend per share, +7% ⁴	
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Communities

€183 million Community investment	€129 million Investment to universities	€54 million Investment to programmes and projects to support communities	
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Suppliers

€7,770 million Payments to suppliers	9,104 Approved suppliers through its global procurement model	95% Local group's suppliers	
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Tax contribution

€7,972 million Taxes paid	€ 4,137 million Corporate income tax	€3,835 million Other own taxes paid, including social contributions	
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1. From Group audited accounts.

2. Including financial business activities and customer prepayments.

3. Subject to the approval of the fourth dividend against the 2017 results by the board of directors and the General Shareholders Meeting.

4. Adjusted for the July 2017 capital increase.

Milestones in 2017

EMPLOYEES



MyContribution

To continue strengthening our Simple, Personal and Fair culture, we are introducing a new way of assessing our employees' performance. The Group's employees are assessed on the basis of their level of commitment to corporate behaviours (40%) and their ability to meet their targets (60%).



New corporate principles of diversity and inclusion

These principles, which will provide a framework for Group policies, are complemented by strategies and initiatives in the local units.

New ways of working

We have created new working spaces with more open spaces and technological tools to boost teamwork. In addition, Santander continues to promote the flexiworking culture to improve the work-life balance.



SHAREHOLDERS

16.6% total shareholders return



Santander is the first European entity to receive the ISO certification for sustainable events management.

CUSTOMERS



Tuiio

A new financial inclusion initiative in Santander Mexico for people with low incomes which aims to have a measurable social impact through a broad and expanding range of interconnected products (from microcredits to microinsurance, remittances, payments, etc.).



Openbank has become the first fully digital Spanish bank, offering a broad value proposition with innovative features, while meeting the highest security standards.

New corporate consumer protection policy

In 2017, Banco Santander approved a new corporate consumer protection policy that sets specific criteria for identifying and implementing consumer protection principles.

First green bond issued by the Bank in Poland

Bank Zachodni WBK issued a green bond with the International Finance Corporation of €136 million with a tenor of 10 years.



Cimate Finance

The Bank has participated in the finance of new renewable energy projects with a total installed capacity of 3,390 MW.

GOVERNANCE

New mining and metals policy

added to the other sectoral policies.

UNEP FI pilot project

Santander, together with 15 other major banks, have joined United Nations Environment Programme Finance Initiative to develop a pilot project to implement the FSB TCFD recommendations.



Sustainability achievements



Banco Santander was included again in the Dow Jones Sustainability Index (DJSI), where it maintains its presence since 2000. Ranked ninth worldwide, second in Europe, and first in Spain for the seventh consecutive year, the Bank was classified in the bronze category in the banking sector.



Banco Santander, world leader in the Bloomberg Gender-Equality Index (GEI)

With an evaluation of 93.4 points out of 100, Banco Santander took first place in this index made up of 104 participating entities from different sectors worldwide.

Newsweek Green Ranking

We have been ranked as the best bank in the Newsweek Green Ranking, which mainly analyzes internal environmental performance.

COMMUNITIES



Jader Stefanello and Fernando Ferreira, students at the Universidade Federal de Santa Maria in Brasil and winners of the Empreenda Santander 2K17 award for their Linux Project, which deploys sensors for intelligent management of urban lighting networks.



Santander X

Santander X is an innovative platform that brings together all the support programmes for entrepreneurs that

Banco Santander has been supporting in universities around the world for the last 20 years. Santander X aims to be a meeting place entrepreneurs. It will be the largest global ecosystem for **university entrepreneurship** - a shared space for international collaboration among universities, businesses and entrepreneurs, who want to make their projects a reality. It will be open to the world.

ENVIRONMENT

Banco Santander is firmly committed to the environment and the fight against climate change, which is reflected in various lines of action, such as the analysis of social and environmental risks in funding transactions, the development of products and services with a positive environmental impact and the measurement of its internal environmental footprint.

COMMUNITY INVESTMENT

► **1,295**
Agreements with universities and other academic institutions in 21 countries



44,862
scholarships and grants in 2017

► **8,731**
partnerships with social institutions and entities



2.1
million people helped



43% of the electricity consumed by the Group is from renewable sources. (100% in Spain, the UK and Germany)

2016-2018 Efficiency Plan targets



100%
Fulfilled a year earlier



8 Building a responsible, digital bank

Message from Ana Botín, Group Executive Chairman

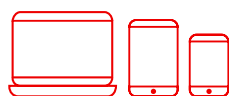


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The online version of the 2017 Annual Report will be available as of the annual general meeting on March 23rd. You can access via smartphone or tablet by scanning the QR code.

<http://www.santanderannualreport.com/2017/en/>

Browse the document by clicking directly on the section in the table of contents. To return to the contents page, press home from any page.





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Building a responsible, digital bank

What makes a truly successful business? For me, the answer is simple. It's a business that recognises it has a responsibility to its employees, customers, shareholders and the wider community - everyone who has a stake in the business, or is touched by its activities in some way. It's a business that understands its purpose is more than making a profit: it has a clear sense of how, by making a profit, it benefits society as a whole, today and for generations to come.

By delivering on our purpose, and helping people and businesses prosper, we grow as a business and we can help society address its challenges too. Economic progress and social progress go together. The value created by our business is shared - to the benefit of all.

The reason "doing good" is good business can be summed up in one word: loyalty. A business that treats its team with respect, and nurtures talent, builds a motivated, loyal workforce. A loyal workforce serves customers with care and dedication, willing to go the extra mile to earn the loyalty of customers. Loyal customers generate growth year after year, which in turn creates lasting loyalty among shareholders. And by generating predictable profits, the business is able to

invest in the communities it serves, sharing the profits it makes so more people benefit from growth. And this motivates the workforce - and so the virtuous circle of growth starts again.

■ The need to be responsible

To earn this loyalty, we need to act responsibly in all we do - in our day to day operations, and in how we fulfil our purpose. In doing so we face four clear challenges.

First - and most important of all - is the public's loss of trust in banks following the challenge financial crisis.

Ethics and conduct in the financial sector remain under the spotlight, for understandable reasons. Companies that do the right thing are rewarded. Those who don't, pay the price. Doing the right thing means doing the basics properly. Dealing with complaints, selling products and services people understand and want, being open and transparent about their operations, treating employees with courtesy and respect - these are essential, a given.

The second challenge has been created by the **digital revolution**. Digital technology has given people more



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Communities are best served by corporations that have aligned their goals to serve the long term goals of society

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information, choice and power. This means every company has to adapt its business model, and how its team operates. The nature of work is changing, creating new opportunities but also new challenges. In banking, this is especially so: how people bank, and use technology, is undergoing a rapid transformation – requiring us to innovate quickly, while safeguarding personal data and the security of our systems.

The third challenge is **inclusive growth**. How we ensure more people share in the benefits of growth, and fewer people get left behind as the digital revolution continues, is a matter of debate across the world. As banks oil the wheels of the world's economy, financing multinationals and entrepreneurs, obviously we have a part to play in the debate about how best to tackle financial and social exclusion. Two billion people currently do not have a bank account. Without access to the financial system, it's difficult for them to share in prosperity. A bank account brings with it peace of mind that a day's wages are kept safe, the opportunity to get a loan to buy a car, go to college or buy a home.

Meanwhile, 600 million jobs need to be created over the next 15 years to match the growth in the global workforce. Many of these jobs will be created by small businesses, which are the engine of economic growth. Some will be in regions where digital technology is giving small businessmen the first opportunity to open a bank account. Others will be created by businesses which export; here too digital technology can play a part, connecting firms on one continent with firms in another with ease and speed.

The fourth challenge is the need for **sustainable growth**. Climate change, the growth in the world's population and scarce natural resources to meet their needs, pose significant social, environmental and economic risks but also opportunities. \$1 trillion in clean energy investments is needed each year if we are to limit global warming to below 2°C. Tackling those risks requires innovation, enterprise and finance. People rightly expect businesses to play a role in fostering sustainable growth, and a transition to the green economy in a way that is responsible towards society. All of this is why communities are best served by corporations that have aligned their goals to serve the long term goals of society.

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We now need to build on our success, focusing more on how we confront the four challenges we face – and turning those words “responsible banking” into action



▣ Santander's strong foundations

I believe Santander is well placed to face up to these challenges. The proof is there to see in our annual results.

Growth: Last year, I said we would increase our number of loyal customers by a further 1.8 million to 17 million, and invest in technology to raise the number of digital customers to 25 million. We have achieved these targets, with loyal customer growth of 13% compared to last year to 17.3 million, and digital customer growth of 21% to 25.4 million. This had positive impacts on our revenues – in particular the net fees line grew by 14% to €11.597 millions.

Profitability: Santander is one of the most profitable banks in the world (10.4% underlying RoTE), and as I set out last year we maintained a broadly stable cost to income ratio making Santander one of the most efficient banks in the world (47% cost to income ratio). This allows us to lend more to customers; increase dividends (11% cash dividend per share increase) and generate capital through organic growth (53 bps increase) all at the same time.

Strength: I said that in 2017 our aim was to increase our earnings and dividend per share; and that we would do this while continuing to grow our capital towards our target of reaching more than 11% Fully Loaded Common Equity Tier 1 by 2018. How have we done? We have grown our attributable profit per share by 1% compared to last year, and we have increased our FL CET1 by 29 basis points to 10.84%, on track to achieve our 2018 target.

We have achieved this because we have a clear and simple approach to businesses.

We have a clear purpose: to help people and businesses prosper. To fulfil that purpose, we have a clear aim: to be the best retail and commercial

bank by earning the lasting loyalty of our people, customers, shareholders and communities.

And to achieve that, we strive to act responsibly, by being simple, personal and fair in all we do.

We now need to build on this success, focusing more on how we confront the four challenges I set out above – and turning those words “responsible banking” into action.

It's work in progress, but the building blocks are there to see, and are set out in the following pages.

As to ethics and conduct, our overriding imperative is to ensure our operations are simple, personal, fair. To make those words reality, we have taken steps to ensure that our commitments to act in a responsible way are properly understood by our teams; that they are implemented; and that performance and progress is measured in a meaningful way. Governance is key.

We also continue to simplify our processes, so they are easy to understand and quick to implement. As well as this, we need to ensure that people are encouraged to behave in a responsible way. Starting in 2017, under our newly created performance management system My Contribution, 40% of variable remuneration is linked to how well employees live our behaviours.

To meet the challenge of the digital revolution, we are using our scale and expertise to capture new opportunities in an agile, innovative way, seizing new opportunities by being agile and flexible while ensuring reliability of the more establishes business. In Spain, we re-launched Openbank with its own, new IT structure and new team. It now serves 1 million customers, offering a full range of services – from stocks to mortgages, but only has one branch and just 70 full-time employees, some of whom have never worked for a bank before. In Brazil,

SuperDigital – which allows customers to carry out transactions on their phones - is growing at around half a million customers a year (many of whom are opening a bank account for the very first time).

To innovate well we need to share best practice and collaborate effectively – which is a strategic target for us this year. Each of our businesses is independently managed and locally-responsive, but we want to maximize the value from being part of a group, so we continue to create the best possible products for our customers.

Digital technology and innovative business solutions are also helping us generate inclusive growth, by tackling financial and social exclusion. Through our financing inclusion initiatives, in 2017 we have helped more than 250,000 micro entrepreneurs with credits and more than 800,000 people with financial education.

And by providing green finance, and applying social and environmental policies, we are addressing the challenge of sustainable growth. This year in Mexico, Santander led the financing of the largest wind farm in Latin America, in USA we have been recognized as the leading Renewables Lender by Euromoney and we launched the first range of sustainable investment funds in Spain.

Our approach is underpinned by Santander Universities, a unique network of 1,200 universities in Europe and Latin America that has been created over decades. Today, Santander is the world's largest corporate contributor to education – proof of our commitment to helping spread opportunity and prosperity. We are now going to use this platform not only to support students at university, but also to harness universities' research and wisdom to tackle the challenges above. In doing so, we contribute towards the UN Sustainable Development Goals.

■ A Responsible, Digital Santander

This is a bold, ambitious agenda that we are setting ourselves. But I am confident that we can deliver it, thanks to the strength of our business model. Our scale, diversification, and predictable growth means we will continue to deliver stable returns for our shareholders while benefiting society. Our targets for this year are:

Growth: We aim to have 18.6 million loyal customers (an 8% increase) and 30 million digital customers (an 18% increase) for 2018.

Profitability: We are targeting a RoTE of more than 11.5%.

Strength: We are aiming for FL CET1 above 11%, double digit growth in earnings per share and cash per share dividend growth.

We will achieve this by following age old lessons.

Our business depends on lasting loyalty.

To earn that loyalty, we will strive to act responsibly in everything we do, acting in a way that is Simple, Personal and Fair.

And we will do all we can to fulfil our purpose – to help people and businesses prosper.

This approach, which reflects the responsibilities we have to all those we serve, will be the bedrock on which we build our new digital future.



Ana Botín
Group Executive Chairman

Strategic Targets 2018

► **TOP 3**
of the best banks to work for in the main markets, according to respected local rankings

► **30 million**
of digital customers (+18%)

► **ROTE of more than 11.5%**

► **Reach 5 million**
people helped in the period 2016-2018

“ We have a bold, ambitious agenda. But I am confident that we can deliver it, thanks the strength of our business model

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What our stakeholders tell us

We value a close relationship with all our stakeholders. By understanding their concerns we not only earn their trust and loyalty, but we can do more to fulfil our purpose — to help people and businesses prosper.

Creating value for our stakeholders

The sustainability policy defines and identifies key aspects of the Bank's relationships with its various stakeholders. The Rules and Regulations of the Board of Directors assign responsibility for overseeing and assessing processes involving stakeholders to the Risk Supervision, Regulation and Compliance Committee. **The General Code of Conduct and corporate behaviours** define and establish the basis for all actions to be applied by Bank personnel in their day-to-day activities, including those related to the Bank's stakeholders.

Santander has several channels that enable the Bank to understand and meet the expectations of its stakeholders. The Bank maintains an **ongoing dialogue** with them, carrying out numerous studies and taking measurements to understand their expectations and needs and identify the opportunities to create value in the long term.

In 2017 the Bank carried out over 250,000 interviews worldwide among its main stakeholder: the general population (customers and non-customers), employees, shareholders and university students. These surveys are carried out on a regular basis so

that we can listen to the opinions of these groups and measure their attitude towards the bank.

Santander also actively participated in 2017 in numerous local and international **conferences and task forces** to understand the various expectations of its stakeholders. Examples include:

- **United Nations Environment Programme Finance Initiative (UNEP FI).** Along with 15 other financial institutions, Banco Santander has signed up for a pilot project run by the UNEP FI to implement some of the recommendations of the *Task Force on Climate related Financial Disclosures* (TCFD) from the *Financial Stability Board* (FSB).
- **World Business Council for Sustainable Development (WBCSD).** Ana Botín, Group Executive Chairman of Banco Santander, is a member of the WBCSD executive committee. In addition, in 2017 Santander supported the organization of the last annual general meeting of the WBCSD, held in Mexico, and convened a meeting of CEOs in London to discuss the *Better Business Better World* report published by the United Nations Business and Sustainable Development Commission.

Listening to the opinions of our stakeholders, measuring the perceptions of the Bank, and identifying how Santander is rated as a bank are all part of our efforts to make all we do Simple, Personal and Fair



More information about Santander's stakeholder engagement available in our corporate website.

KEY DIALOGUE CHANNELS FOR STAKEHOLDERS

Stakeholders	Main dialogue channels	Performance figures
Employees	Global Engagement Survey	84% participation. 77% of employees committed to the Bank
	Motivation and work-life balance	92% of employees are familiar with the Bank's Simple, Personal and Fair culture
	Whistleblowing channels	1,298 complaints received
Customers	Commercial channels	286 branches were renovated in 2017 to improve customer service
	Satisfaction surveys	88% satisfaction among active retail and commercial customers
	Complaints management	57% of claims received are resolved in under 10 days
Shareholders	Group Strategy Update	Over 260 analysts and investors attended
	Shareholder services	178,353 queries managed through remote channels
	Forums and meetings with shareholders	241 events held
Communities	Collaborations with NGOs, universities and other institutions	1,295 agreements with universities and academic institutions. 8,731 partnerships with NGOs and social institutions
	Social networks	195 profiles with 13,994,185 followers

- **Banking Environment Initiative (BEI).** Banco Santander, along with another 12 financial institutions and four innovation startups, formed part of the Fintech taskforce, an initiative created to analyse how financial technology, or fintech, can help tackle some of the most complex environmental and social challenges facing the world today. The group finally made 11 recommendations, supported by three practical cases.
- **Equator Principles (EP).** In 2017 Banco Santander has joined the *Working Group on Designated Countries* created under the EP. The objective of this group is to review the distinction between "Designated Countries" (high-income OECD countries) and "Non-Designated Countries" within the scope of the EP and guarantee the application of a solid environmental and social risk evaluation framework in all countries in which the member financial institutions operate. In addition, the Group co-leads in the Capacity Building & Training Working Group.

Over the year the Bank has also held several meetings and a series of talks with investors and analysts specialising in sustainability, **as well as bilateral conversations with various social and environmental organisations.**

Banco Santander conducts continuous monitoring of the international sustainability agenda. The Public Policy and Sustainability functions collaborate closely to participate in the consultation processes of authorities, sector associations and other organizations that impact the development of policies or relevant positions in the sustainable development agenda.

Through its business activity and community investment programs, contributes directly to the achievement of the United Nations Sustainable Development Goals. To do so, and in line with objective number 17 (partnership for the goals), Santander maintains strategic alliances with numerous organizations and institutions and participates in multiple national and international initiatives, as we believe the only way to deliver sustainable development is by working together.

Main SDGs

where Banco Santander's business activities and community investments have the most weight



INTERNATIONAL INITIATIVES TO WHICH BANCO SANTANDER IS PARTY



- World Business Council for Sustainable Development
- United National Global Compact
- Banking Environment Initiative
- UNEP Finance Initiative
- Principles for Responsible Investment
- The Wolfsberg Group

- CEO Partnership for Financial Inclusion
- Equator Principles
- Round table on responsible soy
- Working group on sustainable Livestock
- CDP (before Carbon Disclosure Project)
- Climate Leadership Council

Materiality study

Banco Santander regularly analyses the social, environmental and ethical behavior issues that are most relevant to its stakeholders throughout its value chain.

This systematic analysis (including the dialogue with our stakeholders) is key to establish the Bank's main lines of action regarding sustainability while we are aligned with the best practices and reference standards.

In 2017, Banco Santander explored new and more sophisticated ways of analysing data in order to determine the most important issues for its business. The use of new technologies enables the Bank to analyse large volumes of qualitative information regarding sustainability.

New analyses were also included with regard to the studies carried out in previous years:

*Environmental, social and governance.

- Evaluation surveys to corporate areas and sustainability teams in the different local units.
- Analysis of global trends and main financial-sector challenges.
- New interviews with sustainability experts in the financial sector both in the public and private domain.
- Internal workshop with different areas from the Bank.

The scope of some of the analysed issues was also expanded, such as the environmental, social and governance (ESG) investors analysis (roadshows' feedbacks) or the analysis of potential controversies (including new sources and references) and the deeper materiality studies from other banks.

Process of identifying material concerns

Quantitative analysis

External

ESG Investors	Materiality other banks	Analysis of the media	Sector reporting analysis	Regulatory framework analysis	Volunteer framework analysis
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Internal

Internal workshops	Surveys with areas and countries	President / CEO activity	Sustainability committee	Santander Today	Santander's goals
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Qualitative analysis

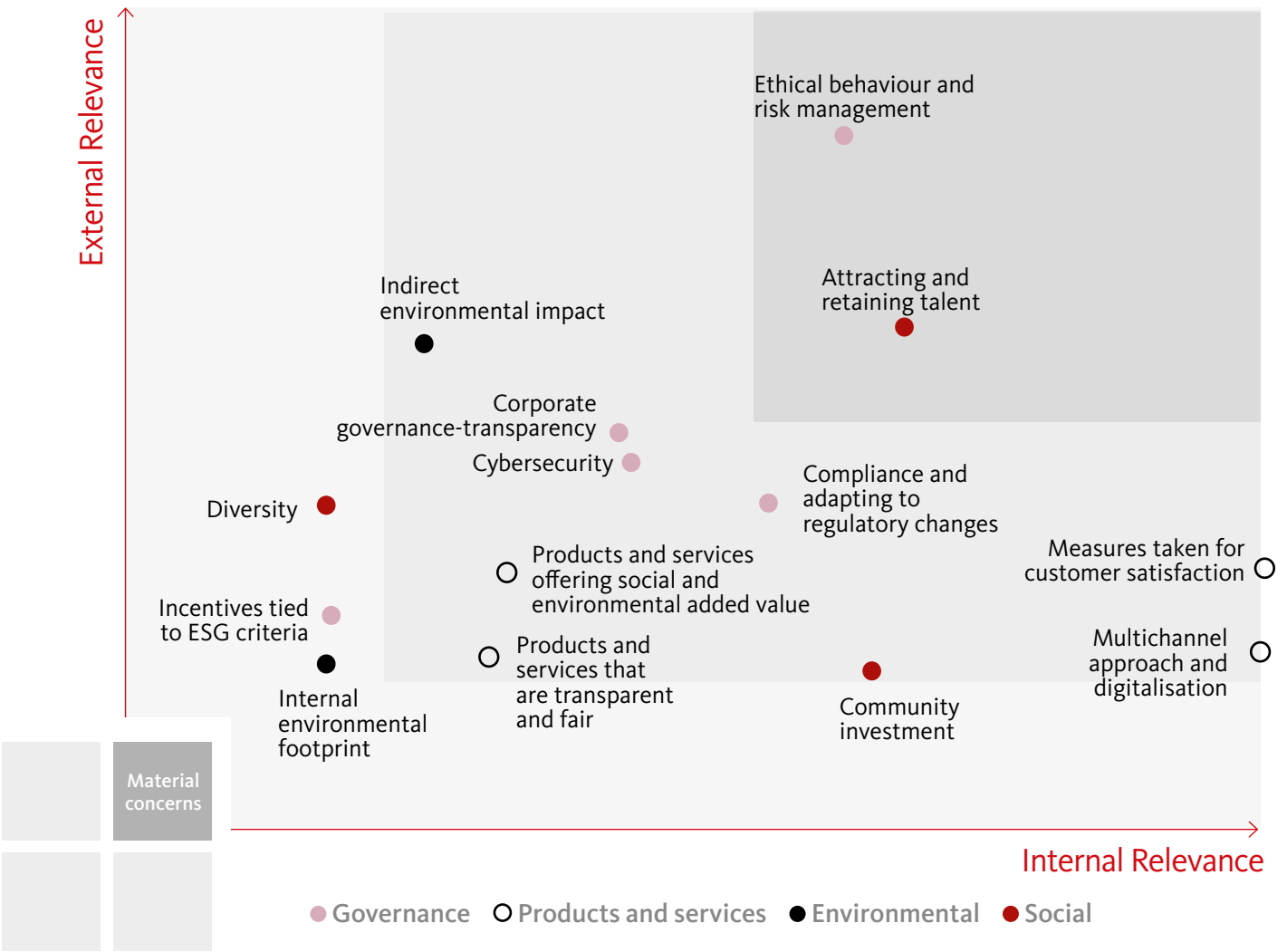
Controversial events	Interviews with external experts	Social networks	Value chain	Megatrends analysis	NGOs analysis
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More information about the systematic process to identify material concerns in our web page.

Matrix for identifying material concerns

This matrix shows the most relevant concerns for Banco Santander that were identified in the materiality study, and that were therefore taken into consideration in preparing this sustainability report.



Our quantitative and qualitative analysis have enabled us to group stakeholders’ concerns, and the challenges and opportunities we face, into four key categories:

ETHICS AND CONDUCT

DIGITAL REVOLUTION

INCLUSIVE GROWTH

SUSTAINABLE GROWTH

The world today: challenges and opportunities

As one of the largest banks in the world, Santander has a responsibility to the over 200,000 people who work with us; to the 133 million customers; to the millions of people who invest in us; and to the millions of people who live in the local communities where we operate. We need to be responsible in **how we do business**, and in **how we fulfil our purpose** – to help people and businesses prosper. We will do this by addressing four global challenges.

HOW WE DO BUSINESS

Everything we do should uphold the highest standards of ethics and conduct...

1 ETHICS AND CONDUCT

- ▶ The financial crash and globalization has increased the debate about the role of business in society. Employees, customers, shareholders and citizens expect companies to **act responsibly** in their day-to-day operations. By doing so, companies create long term value in their daily business.
- ▶ **Ethical behaviour** must underpin every company's culture and be enforced by its governance. Businesses must comply with both the letter and the spirit of the law and regulations. Risk must be managed prudently and effectively. Codes of conduct and policies should clearly state what behaviour is accepted and what is not. An individual's performance should be assessed on what is achieved, and how it is achieved.
- ▶ Successful businesses need motivated teams. A responsible business **attracts the best talent** - people who want to work for a company with a strong sense of purpose, and strong values, as this is a means of fulfilling their individual aspirations to help society prosper.
- ▶ The growth of responsible investment means shareholders expect to know more about how companies operate. So a responsible business, protect its clients and is **transparent** in how it operates and in its relationship with stakeholders - informing and explaining decisions actions and performance of the company.

...while we innovate to embrace the digital revolution, making the best use of the latest technology...

2 DIGITAL REVOLUTION

- ▶ The **digital transformation** poses new strategic challenges to companies, which must adapt their business model to take advantage of opportunities and minimize risks.
- ▶ Every business must ensure its organization and team are equipped for the digital era. This requires **investment in technology**, as well as training people to work in a more agile, collaborative way.
- ▶ The digital revolution is changing how customers behave, creating new channels and demanding new products and services. **Innovation** is critical.
- ▶ Customers expect more of businesses than ever before. Companies must respond by analysing big data, so they can offer a **personal service** to their customers.
- ▶ **Cyber security** poses a significant risk. Customers expect that their data is held securely and handled ethically.

HOW WE FULFIL OUR PURPOSE

...which enables us to serve customers in new ways, helping to generate inclusive growth...

3 INCLUSIVE GROWTH

- ▶ Although many millions of people have been lifted out of poverty over recent decades, social and economic inequalities remain. We need **inclusive growth so more people can share the benefits of prosperity**. To achieve this, companies need to ensure that their business models help to address the economic and social challenges we face.
- ▶ **Creation of good jobs** for the entire working-age population, especially the most disadvantaged, contributes to reducing poverty and inequality. 600 million jobs need to be created by 2030 if the global workforce is to keep pace with population growth.
- ▶ **Financial inclusion** is also key to reducing poverty and increasing prosperity of low-income and hard-to-access communities. Two billion people are unbanked in the world. Bringing them into the financial system, helps to strengthen the economic fabric, empowers women and can contribute to sustainable consumption.
- ▶ In a digital age, people of all ages need to learn new skills and expertise. **So investing in education and improving mobility and connectivity** are key to achieving inclusive growth.

...while supporting sustainable growth in local communities and economies.

4 SUSTAINABLE GROWTH

- ▶ Sustainable growth **meets the needs of the present without compromising the ability of future generations to meet their own**, guaranteeing the balance between economic growth, social welfare and the environment.
- ▶ **Climate change, combined with population growth, are two of the main challenges facing society**. Technological changes, innovation and changes in consumption patterns are essential if we are to grow in a sustainable way. Stakeholders expect business to play its part.
- ▶ Many of the challenges we face today can only be resolved by promoting sustainable growth and establishing a **global commitment** where all social actors, including companies, are engaged.
- ▶ The financial sector must **integrate the risks and opportunities of climate change** in its activity to achieve the Paris Agreement objectives and achieve an orderly transition to a low carbon economy.
- ▶ **Improvements in production capacities, sustainable consumption and responsible production guidelines** contribute to human development and reduce poverty and inequality.

Corporate governance and sustainability management

A solid corporate governance structure guarantees a model aligned with the interests of our stakeholders, ensuring sustainable long-term value creation.

■ Board of directors

In keeping with the Bank's purpose and vision, and in the framework of its general supervisory function, the board of directors of Santander is the Group's top decision making body, except for matters reserved for the general shareholders' meeting. Within the framework of its general supervisory function, the board has the final word on decisions concerning the Group's strategy and main policies, corporate culture, the Group's organisational structure, and the approval of appropriate social responsibility and corporate governance policies.

The board also approves and monitors the risk framework and appetite, and ensures that the three lines of defence model (business and risk origination; risk control and compliance; and internal audit). The board of directors is also responsible for ensuring that the Group complies with the relevant legislation, respects best practice in the sectors and countries in which it operates, and observes the principles of social responsibility to which it has voluntarily subscribed.

Banco Santander's board of directors is a **well-balanced mix** of executive and non-executive directors. This year the board's diversity has been strengthened, giving it a more international and technological profile and increasing the number of female directors.

The **annual self-assessments** carried out by the board of directors and its committees ensure continual improvement in the quality and efficiency of their functioning and composition.

The board's various checks and balances include the position of **lead director**, who coordinates the non-executive directors and chairs, among others, the Risk Supervision, Regulation and Compliance Committee. Their functions include periodically assessing the corporate governance system as well as reviewing and monitoring the sustainability policies and evaluating the degree of compliance with these.



In the vanguard of best international practices

► Santander has been listed on the FTSE4Good and DJSI indices since 2003 and 2000, respectively

► Number one in the Bloomberg Gender-Equality Index for diversity



36%
of directors
are women

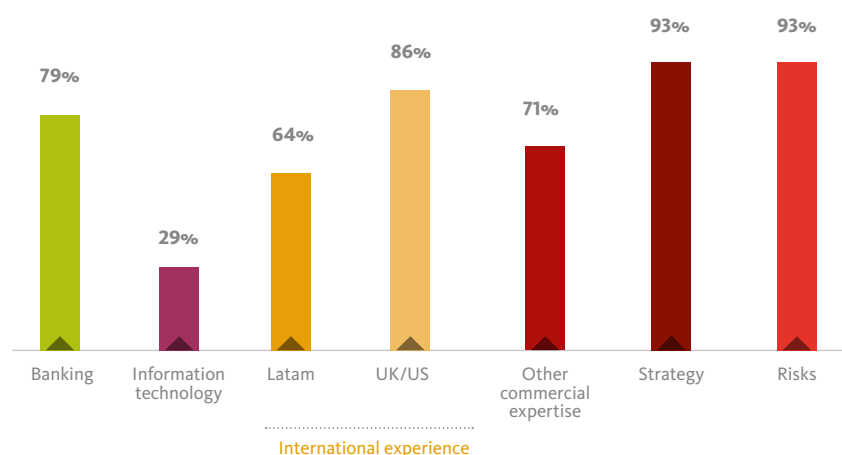


We create value for all by carrying out our business properly, ethically and responsibly and with a long term vision



Bruce Carnegie-Brown
Vice Chairman and Lead Independent Director

■ BOARD MEMBERS WITH RELEVANT EXPERTISE (%)



For more information on corporate governance, see pages 70 to 108 of Banco Santander's 2017 Annual Report.

Sustainability management

Banco Santander's commitment to sustainability means ensuring that its **ethical, social and environmental criteria are integrated** into the Bank's strategy, business model and internal policies and procedures, embedded in all areas across the Bank. Each unit has a defined sustainability governance structure.

In accordance with the Rules and Regulations of the board of directors, the board approves the Group's general policies and strategies, including those relating to sustainability. It may not delegate this function. It also approves the sustainability report.

The board of directors in its meeting of 13 February 2018, amend its rules and regulations in order to, among others, regulate a dedicated **responsible banking, sustainability and culture committee**.

The Executive Committee is also regularly provided with reports on progress in sustainability. Banco Santander also has a **Sustainability Committee** that meets at least once a year and proposes, coordinates and promotes the Bank's main sustainability initiatives.

At the last meeting, the following initiatives, among others, were proposed:

- To increase the frequency of this committee's meetings (at least twice a year).
- To move forward with **managing diversity**.
- To strengthen the analysis of exposure to **climate change** to respond to new international reporting recommendations, such as those from the Task Force on Climate-Related Financial Disclosures (TCFD).

In 2017, the Senior Advisor on Responsible Business Practices position was created, to drive the responsible and sustainable business practices, reporting directly to the Executive Chairman.

Sustainability policies

Banco Santander has several policies, codes and internal procedures regarding sustainability. These policies are reviewed on an annual basis by the board of directors. In 2017, the board **updated the general sustainability policy**, which includes the Bank's commitment to **financial education** and to the consumer protection principles. **The climate change policy was also updated** in order to meet the new ISO14001:2015 requirements. This policy includes information about the working groups for social, environmental and reputational risk and the Climate Finance Task Force. Moreover, the climate change policy's name was changed to Environmental Management and Climate Change policy.

Similarly, 2017 saw the approval of Santander Group policies revised for the defence, energy and soft commodities sectors. The changes incorporated after the annual review refer to actions that were already being carried out and are minor in nature. A summary of this policies have been made public at the website for the first time.

Also in 2017, the Bank developed a new mining and metal industries policy.

Sustainability policies

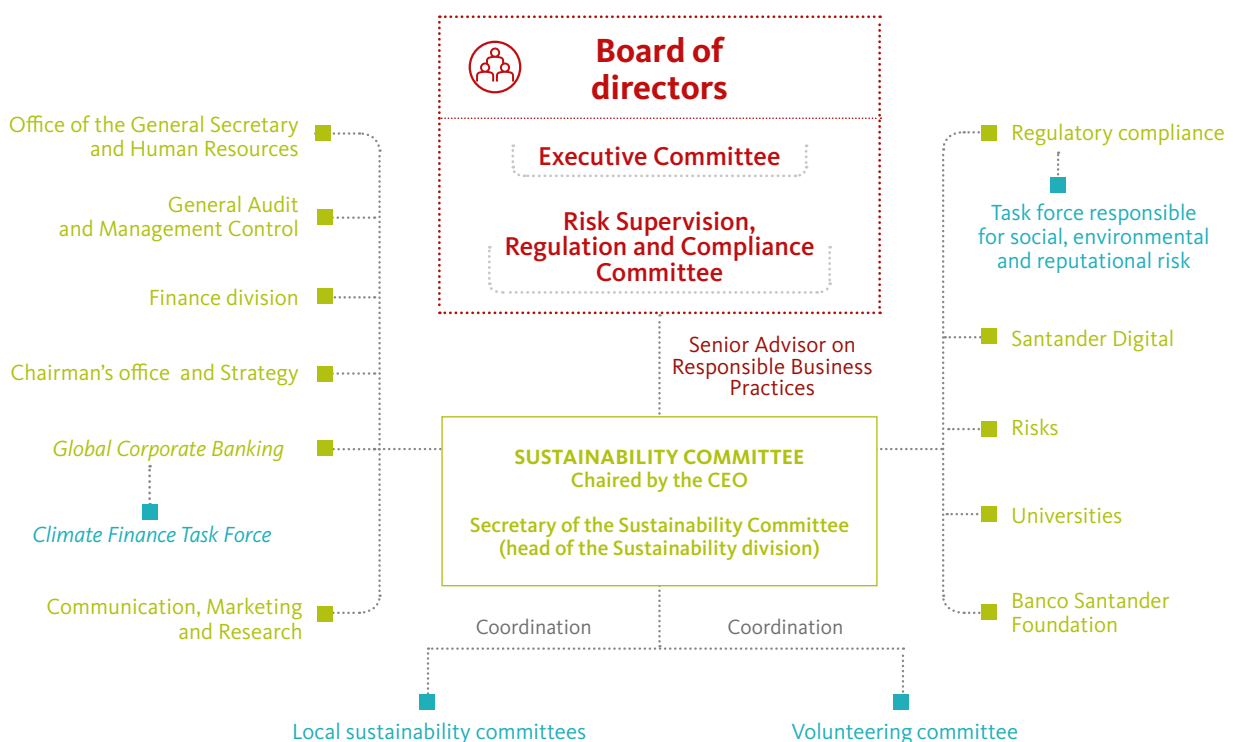
- ▶ General sustainability policy
- ▶ Sector policies (energy, defence, soft commodities and mining and metals industries)
- ▶ Climate change and environmental management policy
- ▶ Human rights policy
- ▶ Volunteering policy



More information about Group's Sustainability Policies

Other relevant policies

- ▶ Policy for funding political parties
- ▶ Policy on conflicts of interest
- ▶ Policies in other sensitive sectors



Risk management model

Santander has a solid risk culture based on the principle that all professionals are responsible for the risks taken in their business activity. The risk management and control model is key for ensuring compliance with Santander's culture and values, and is based on **three lines of defence**.

Risk management is therefore one of the key functions in ensuring that Santander remains a robust, safe and sustainable bank. It guarantees that management is aligned with the interests of our employees, customers, shareholders and society.

The board of directors is responsible for the **risk control and management**, and, in particular, for setting the **risk appetite** for Santander Group (see the Risk Management Report in the Annual Report).

The **compliance and conduct function** regularly reports directly to the board and its committees as an independent function of this second line of defence. It includes all matters relating to regulatory compliance (legal framework and internal regulations), prevention of money laundering and terrorist financing, the responsible sale of products, consumer protection and reputational risk.

Of particular interest in the area of sustainability are risks related to compliance, conduct, digitalisation and climate change, as well as the analysis of social, environmental and reputational risks.

Code of Conduct

Ethics is an integral part of Banco Santander's culture and values, as reflected in corporate behaviours and in the code of conduct. **The General Code of Conduct** is applicable to all the professionals of the Group and is available on the corporate website. In general, the whistleblowing channels are managed by the compliance and conduct function, ensure confidentiality and don't allow for retaliation against whistleblowers.

The complaints received and managed in the Group's whistleblowing channels are reported to their respective governing bodies. During 2017, the compliance and conduct function has reported twice about the general situation of the **whistleblowing channels** to the audit commission of the Bank (further information on whistleblowing channels is available on pages 25 and 51).

Anti-corruption policy

This policy includes the **rules of conduct** that must be followed by employees, measures to ensure special care is taken when arranging the services of certain agents and a confidential whistleblowing channel so that employees can report any policy breach (for further information, see the corporate website).

Prevention of money laundering and financing of terrorism

Santander has a robust system to prevent money laundering and the financing of terrorism. The system is kept constantly under review, to ensure it not only fulfils the latest international regulations but can identify and tackle the latest techniques used by criminals. There is a mandatory course for all employees.

Main business indicators on the prevention of money laundering in 2017

167
subsidiaries reviewed*

152,253
investigations

41,204
disclosures to authorities

166,322
people trained

* The number of subsidiaries refer the total number reviewed by the UCIF (Corporate Financial Intelligence Unit) and by the local Anti-Money Laundering Units.

The three lines of defence

1ST	Business and support units
2ND	Risk management and compliance
3RD	Internal audit



For more information, consult the risk management report in Banco Santander's 2017 Annual Report.



Products and services commercialisation and consumer protection

The Group framework for marketing of products and services and consumer protection was updated during 2017. It defines the basic principles to mitigate the risks arising from inappropriate practices, the Bank's dealings with customers, the products it offers and their suitability for each customer, covering all marketing and distribution phases (design, sale and post-sale). In 2017, policies that develop the principles of the framework were approved and which must be applied in the Group's subsidiaries.

The marketing and consumer protection functions are supported by an internal governance structure that ensures the necessary involvement of the Group's managing bodies and senior management (for further information see page 34).

Cyber risk and data protection

With **digital transformation**, cyber-attacks have become one of the main risks worldwide and not only for the financial sector. In addition to the threat to systems and operations, the Bank's internal and customer information can also come under threat.

We are constantly reviewing how we protect ourselves from cyber attack and to safeguard the data we hold, basing our approach on international best practice and standards (for more information, see page 34 of the Customers chapter and in the risk management report).

During 2017, the Bank strengthened its internal governance through the new cybersecurity framework approved by the board. The Bank has fostered, among other measures, awareness and training on cybersecurity and data protection. These include campaigns about phishing in 2017 for all employees to reinforce their ability to identify and report this type of incident, as well as the launch of a series of training initiatives such as compulsory e-learning courses.

Tax strategy

The tax strategy incorporated into the corporate fiscal policy approved by the board of directors, reflects the following action principles and common guidelines for action regarding tax:

- Meeting its legally required tax obligations, reasonably interpreting in all cases the applicable regulations in line with the spirit and purpose of the latter.
- Ensure **transparency** and avoid the use of opaque structures for tax purposes.
- Not providing advisory or tax planning services of any nature to customers when marketing and **selling financial products and services**.

Santander Group's main subsidiaries have also approved their own internal regulations in line with this policy. The fiscal risk management and control system in the different entities must comply with the principles established in this policy, necessarily resting on the Group's internal control model, as well as on the evaluation and certification processes of the controls it incorporates.

The aim is to adopt the best practices that allow for the prevention and reduction of fiscal and reputational risks. (The fiscal strategy is available on the corporate website).

Social, environmental and reputational risks

Analysis and decision-making in loan approvals take into account the implementation of sustainability policies, in addition to the application of the Equator Principles described on page 47 of the Environment chapter.

Climate change risk

The Bank, through the internal task force on climate finance, works to successfully tackle the challenges and opportunities arising from **climate change**, increasingly important in all sectors, and in 2017 it has supported international initiatives in this area (for more information see the Environment and Climate Change chapter and the Risk Management Report in the Annual Report).



Financial Stability Board & Climate Change

The mandate of the Financial Stability Board (FSB) is to ensure that the financial system can withstand to all types of risk, including those arising from climate change.

In 2015 it promoted the Task Force on Climate-related Financial Disclosures (TCFD) and in June 2017, it issued its recommendations for the disclosure of financial information in such a way as to present most efficiently the risks relating to climate change.

Banco Santander has joined a pilot project led by UNEP FI, together with another 15 entities, to implement some of the recommendations of the TCFD.

Commitments to our stakeholders

Strengthening the relationships with our stakeholders is key to improving our performance. Our aim as a bank is clear: we want to be the best retail and commercial bank, by earning the trust and loyalty of our employees, customers, shareholders and society:

- We want to attract and retain the best professionals.
- Build long-term trustable relationships with our customers.
- Offer an attractive and sustainable dividend and return to our shareholders.
- Contribute to the social and economic progress of the communities in which we operate.
- Maintain lasting relationships with our suppliers.





81%

employees believe that their colleagues behave in ways that are more simple, personal and fair



77%

of employees are engaged



17.3 (+13%)

million loyal customers



25.4 (+21%)

million digital customers



People

202,251

Employees who are more motivated and committed...

...make our customers more satisfied and loyal...



Customers

133
million



Communities

2.1

million people helped in 2017

...which results in more investment in communities.

...which drives profitability and sustainable growth...



Shareholders

4.0

million



44,862

scholarships granted in 2017



1,295

agreements with universities and academic institutions in 21 countries



16.6%

total shareholder return



+11%

cash dividend per share growth

Figures excluding Banco Popular, except number of employees and shareholders.

Simple | Personal | Fair

Employees

Santander's objective is to be one of the best banks to work for, capable of attracting and retaining the best talent globally, which allows it to speed up transformation and help people and businesses prosper.



Banco Santander Branch in Valencia (Spain)

Simple, Personal and Fair

The entire team at Banco Santander strives each day to make sure that all they do is Simple, Personal and Fair - as this is the way to earn customers' lasting loyalty - while doing all they can to fulfil our purpose to help people and businesses prosper.

As a result, the human resources strategy is focussed on having the **best team**: diverse and committed, ready to offer the customer a unique, high quality service. To achieve this, Santander implements its people management strategy structured into six broad areas:



Simple | Personal | Fair

EMPLOYEES 2017*

Entity	Nº empl.
MAINLAND EUROPE	68,223
Spain	22,916
Popular Bank	11,583
Santander Consumer Finance	15,131
Poland	11,572
Portugal	5,895
Real estate activity Spain	503
Other regions in Mainland Europe	623
UK	25,971
LATINOAMERICA	88,713
Brazil	47,135
Mexico	18,557
Chile	11,675
Argentina	9,277
Colombia	161
Uruguay	1,721
Peru	181
Paraguay and other regions in LatAm	6
USA	17,560
Santander bank	10,569
Santander Consumer USA	5,125
Puerto Rico	1,084
New York	243
BPI	539
BUSINESS AREAS	200,467
Headquarters	1,784
TOTAL GROUP	202,251

* The employee data presented is broken down according to management criteria, and is therefore not comparable to that found on tables and graphics of this chapter presented by legal entity.

Our behaviours for becoming a more Simple, Personal and Fair bank



Show respect



Truly listen



Talk straight



Keep promises



Support people



Embrace change



Actively collaborate



Bring passion

Talent management

Each year Santander implements various initiatives and programmes with the aim of **helping its employees grow personally and professionally**.

Among the most important initiatives are development and mobility programmes.

- **Global Job Posting.** This offers all employees the chance to apply for vacant positions in other countries, companies or divisions. Since its launch in 2014, over 3,000 positions have been published globally.
- **Santander World.** A corporate development programme in which, for three months, the Bank's employees work on a project in another country, promoting the exchange of best practices and broadening their global vision. Since its launch, 1,726 people in 30 different countries have taken part.
- **Talent in Motion Programme (TiM).** Designed to speed up the development of young people with talent. This promotes mobility and provides participants with the opportunity to broaden their strategic vision of the Group and to live an international experience.

The Bank also promotes various programmes at a corporate level to identify the best talent from among its employees, so that it can offer them opportunities for growth and development in the organisation:

- **MyContribution.** Launched in 2017, it is a new corporate performance management model based on commitment, meritocracy and transparency.

The Group's managers are assessed for their leadership, commitment, development and risk management (40%) as well as for their targets (60%).

- **Talent valuation committees (TVC).** Structured process to identify the potential in a harmonized way between countries and businesses.
- **Succession planning for leaders.** Succession planning for the key positions in the Group to ensure the sustainability of the business.
- **Action Learning Programme Santander (ALPS).** A learning programme aimed at managerial talents. ALPS develops leadership and business problem resolution skills within a collaborative environments. Management takes part as *sponsors*.

Employee whistleblowing channels.

The Santander Group has 14 whistleblowing channels available to all employees in all its main markets. They can access these through email, website and app.

During 2017 around 1,300 complaints were received by the Group, the main reasons being labour relations (61%), mis-selling (23%) and operating irregularities (9%).

Approximately 30% of the complaints received have resulted in disciplinary actions.

In the last few years, Banco Santander has undergone various restructurings that affected jobs and employment. In all of these, the Bank has followed a series of common steps, namely:

- Participation is facilitated and negotiations take place in good faith with the employees' legal representatives.
- The legal regulatory minimums for redundancy payments are surpassed.
- Social plans are presented that include support for relocation, efforts to provide maximum support for the employability of those affected.
- The first approach taken, is that employees affected by the restructuring process are encouraged to take voluntary redundancy.



202,251
employees



97%
employees with
a permanent
contract



94%
employees
working full time



29,774
employees
joining



29,970
employees
leaving



9.8%
of the workforce
promoted



76.3%
employees
covered by
collective
bargaining
agreement

► 2018 Target

Top 3 of the best banks to work for in its main markets, according to respected local rankings.

TOP
employers



► 2017 Achievement

Top 3 in 5 of the key markets where we operate

5
countries



Argentina



Brazil



Mexico



Spain



Portugal



Diversity and inclusion

In 2017, Banco Santander approved **general principles** on diversity and inclusion which are intended to create a framework for the entire Group. These principles are also complemented with individual strategies and actions in various countries where the Bank operates.

Similarly, for the appropriate management and promotion of diversity, a **global executive task force and a global network of experts** in diversity and inclusion have been created, with representatives from the different geographic areas and business units.

Gender diversity and equal opportunities for men and women is a strategic action area for Banco Santander, in order to reach the target of **20% of management posts across the entire Group being filled by women by the end of 2018**.

Similarly, the Group has carried out an exercise to identify and evaluate any gender pay gaps that may exist in the different units. The results obtained have been divided by country with local action plans to reduce the pay gap to under 5%. In addition, **the Bank has an action plan to eliminate the gender pay gaps in all the markets in which it operates by the year 2025**.

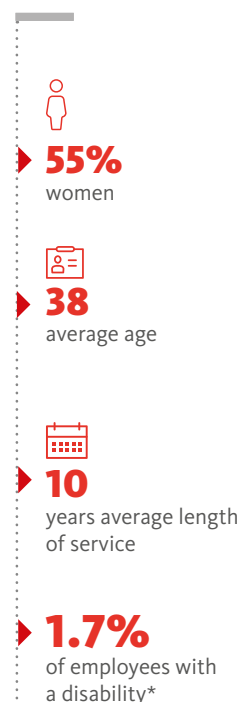
"We are diverse. We want a more inclusive Bank, with equality and a meritocracy, where people and businesses prosper"

Sergio Rial, CEO Santander Brazil



MAIN INITIATIVES OF 2017

- **United Kingdom.** The Bank has developed a diversity and inclusion policy based on four pillars: commitment to the main standards, awareness raising and training of the teams, the identification and development of the best talent with a focus on female talent, and positioning as an inclusive company.
- **In Brazil.** Santander has developed a diversity portal that defines the commitment of the Bank and offers general information at both an internal and external level. In addition, specific action plans have been developed to improve gender, race and functional diversity.
- **In Spain.** Santander is implementing a mentoring programme in which 400 employees have taken part in mentoring processes to develop female talent. Similarly, 48% of the promotions carried out in 2017 and 50% of junior staff joining were women.
- **In Poland.** In 2017 Bank Zachodni WBK signed a Polish version of the Diversity Charter promoted by the European Union.
- In addition, at the start of 2018, Banco Santander has signed up to the global standards of conduct to protect LGBTI people in companies, promoted by the United Nations.



* USA not included.

In the last engagement survey, 82% of women said that the flexible working positively affects the way they work

BLOOMBERG GENDER-EQUALITY INDEX



Banco Santander has obtained the highest score out of the 104 companies that form part of the *Bloomberg Gender-Equality Index*, which evaluates the performance of companies in gender equality.

Expertise and development

In 2017 a new strategy for knowledge and overall development was launched to stimulate continuous learning by all employees, with the slogan **Never stop learning**.

- The **Global Knowledge Campus** has been launched; it is a new training space to share knowledge and best practices, which will help the Group's employees contribute to cultural change and improve their performance.

Remuneration

Santander has a comprehensive remuneration system, based on principles approved in 2016 (see corporate governance chapter of the annual report). It combines a fixed salary (which reflects the individual's role and level of responsibility) with short- and long-term variable remuneration. This rewards employees for their performance on the basis of a merit. It reflects what has been achieved (group targets, individual or team targets) and how these results are obtained (reflecting behaviour and conduct such as leadership, commitment, development and risk management). In addition, the Bank also offers pension plans and other benefits such as banking products and services, life insurance and medical insurance.

Fixed remuneration is determined by the local markets. Remuneration levels are set according to local practices and strictly follow the collective agreements applicable in each geography and community.

Corporate **variable remuneration** is a form of reward for achieving the Group's quantitative and qualitative strategic targets. In 2017, a new model for evaluating the performance of the bank's employees was introduced, My Contribution, with an impact on variable remuneration. It has been designed to reinforce the key role that the corporate culture has in driving the Group's transformation. In 2017, this model was applied

- **The leading by example programme** is now under way. This is a training programme that helps leaders identify the role that they should play to implement the Simple, Personal and Fair culture and carry out transformation.

- And **Santander Business Insights** has continued to organize a round of conferences that combines internal and external vision to sensitize employees to the importance of applying behaviours in their day to day.

to all the Group's executives, to the employees in different countries and to the Corporate Centre. It will be progressively implemented to the remuneration of all employees.

In addition, for a group of managers (8,000 people from all geographies in which the bank operates), the corporate bonus schemes takes into account the achievement of strategic targets related to customer satisfaction and loyalty, risk management, the capital base and the risk-adjusted return. The quantitative aspects of the achievements obtained are valued as well as the way in which these objectives are achieved through qualitative factors.

Furthermore, to meet European regulations on remuneration, the Group has identified, 1,255 people who take decisions that may involve some risk for the Bank. 50% of any bonus that these individuals receive is paid in shares; and 50% is deferred for three years; and is subject to possible recovery and reduction (malus and clawback policies).

For more information, see the report of the committees in Banco Santander's 2017 Annual Report.



Main Group training indicators

 **98**
millions invested in training

 **96%**
employees trained

 **39.6**
Hours of training per employee

MY CONTRIBUTION

- ▶ Sustainable key objectives (What) and balanced behaviours (How)
- ▶ Proactively obtain continuous feedback on the What and How
- ▶ Listen and act on the corporate behaviours, leading by example
- ▶ More direct link between contribution and compensation

Employee experience

Santander fosters **the commitment and motivation** of its employees with measures that encourage listening, a more flexible way of working which enhances the work-life balance, as well as a healthy environment.

- **Global engagement survey.** In 2017, Banco Santander again conducted an engagement survey for all its employees.
- **New Ways of Working.** Progress is being made in creating a new way of working at the Bank, through new work spaces, without offices and with areas that encourage collaboration, the exchange of knowledge and with **technological tools** that facilitate continual contacts with teams from other countries.

In addition, *Flexiworking* is the Group's answer to eradicating the in-person culture and working more flexibly and efficiently.

- **Culture of recognition:** Through initiatives such as *StarMeUp*, the first global recognition network to promote collaboration and to recognise those individuals who display the corporate behaviors in their daily work.
- **We Are Santander Week:** Global initiative designed to transmit the culture to the employees and promote their pride in belonging.
- **BeHealthy:** A global programme for health and well-being which shows Santander's commitment to the health of its employees and to helping them to adopt healthy habits that allow them to be fit, live better and reach their maximum potential.



Results of the global engagement survey

► **84%**
employee participation

► **77%**
of employees committed, above the sector average

► **81%**
of employees consider that people behave in ways that are more simple, personal and fair

► **92%**
of employees know what they have to do to build a bank that is more simple, personal and fair

► **The 2017 results** show a significant improvement in the incorporation of the bank's culture into the day-to-day work of the employees, with a positive impact of the cultural initiatives promoted across the Group, such as *StarMeUp*, *Flexiworking* and *BeHealthy*.

Similarly, the results also show that our team are committed to the bank (engagement levels are above the sector average); and the risk culture (*Risk Pro*) is being embedded.

Important areas of improvement include the removal of barriers to performing our work in a more productive and efficient way and increasing the collaboration between our teams.

“

The results of the engagement survey are highly valuable for all of us, since they allow us to continue progressing towards being the best bank to work for in each of the countries in which we operate

”



Jaime Pérez Renovales
Senior Executive Vice President
General Secretary and
Human Resources

StarMeUp

The first global recognition network

This platform is aimed at promoting collaboration and recognising people who apply corporate rules of conduct in their day-to-day activities.

+111,000
users



Advances in the New Ways of Working project

► New spaces, which cut down on the need for individual offices, are being created in the Corporate Center and in the headquarters of Santander Río (Argentina). As well as new open areas, and technological tools to promote teamwork and *Flexiworking* to foster work-life balance.

► Various initiatives are also being developed to simplify ways of working, such as the Keep It Simple Santander (KISS) program in the United Kingdom, for branches and call centers, or the Inconsistencias programme in Chile, to identify improvement processes.



Volunteering

- Santander encourages corporate volunteering as a way of promoting commitment, motivation, a sense of pride at belonging to the Group, and solidarity amongst employees, while also **helping the communities in which it operates to prosper**. It also has a **corporate volunteering policy** which establishes that the Bank will offer employees a certain number of hours each month or year, depending on their geographic location, to ensure that they can participate in volunteer activities if they wish.

63,571










employees taken part in social initiatives

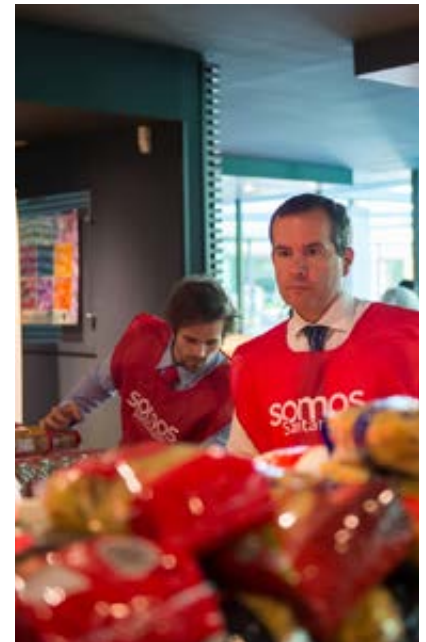
> 3,000

collaborations with social organizations

> 325,000

people helped

-  **Germany.** More than 150 employees took part in painting, gardening and carpentry tasks in schools and nurseries across Germany.
-  **Argentina.** In collaboration with Fundación TECHO, around 40 of the bank's employees took part in the construction of emergency housing for the homeless.
-  **Brazil.** Through the Escola Project in Brazil, more than 7,000 employees took part in more than 400 tutoring activities in 198 schools across the country.
-  **Chile.** More than 100 volunteers took part in Parque Felix, a charity event that supports Pequeño Cottolengo, a home for children and adults with severe and profound intellectual disabilities.
-  **USA.** More than 3,000 employees gave financial education courses through the Financial education & training programme.
-  **Spain.** Through the volunteering activists, more than 80 initiatives were implemented in 2017 involving more than 2,000 employees. The Finanzas para Mortales (Finance for Mortals) programme stands out, involving more than 800 sessions and 23,000 hours of financial education taught.
-  **Poland.** More than 580 of the Bank's employees took part in educational projects and programmes for children, teenagers and the elderly.
-  **Portugal.** More than 170 volunteers took part in financial education programmes in schools across the country.
-  **United Kingdom.** Through the Discovery Days programme, more than 6,000 employees spent a working day collaborating with more than 400 NGOs to support those who need it most.



Large scale food collection in the "We are Santander" week in Boadilla del Monte (Spain)



Health and occupational risk prevention

- Banco Santander has an occupational risk prevention plan available to all the employees on the corporate intranet.

In addition, within Santander's New Ways of Working framework assesses the new spaces and its equipment both from the point of ergonomic view as of safety, taking into account, among other aspects, guidelines to assist good posture.

► 3.2%

Absenteeism rate*

► 0.3%

Work-related illness rate **

► 11.7 M

Hours missed due to non-working related illnesses and accidents

* Hours missed due to occupational accident, non-work related illness or non-work related accident for every 100 hours worked.

** Hours missed due to occupational accident involving leave for every 100 hours worked

BEHEALTHY



In February 2017 the BeHealthy Week took place, a week in which all the countries where we operate organized initiatives focused on the four main lines of action of the program: Know your numbers, Eat, Move and Be Balanced. In 2017 the second BeHealthy challenge was carried out with the aim of bridging the 66,000 km that separate each of the countries with the steps taken by employees. The Bank donated one euro per kilometer to a project that is tackling the anemia in Peru from *Acción Contra el Hambre*.

Customers

Banco Santander's aim is to become the best retail and commercial bank, earning the lasting loyalty of all its customers, by being simple, personal and fair in all we do.



Banco Santander branch in Malaga (Spain)

133
million Group
customers

108
million retail and
commercial banking
customers*

3
million
Select customers

* Excluding customers of
Santander Consumer Finance.

Banco Santander's value proposition responds to the demands of different customer profiles, to motivate them each day to be more loyal, use **digital channels** more and increase their satisfaction with the Bank's services.

The continuous improvement of the multi-channel proposition, with new digital applications, innovative products and successful commercial strategies, has led to a notable increase in 2017 of loyal and digital customers.

Likewise, Banco Santander's commitment to digitalisation and operational excellence has enabled it to grow income by more than costs.

In 2017, loans, and particularly financing for families and companies, grew in eight of the 10 main markets in which the Group operates.

GROUP CUSTOMERS*

Million	
Spain	12.7
Portugal	4.7
UK	25.4
Poland	4.4
SCF	19.9
Rest of Europe	0.1
Total Europe	67.2
Brazil	38.1
Mexico	15.1
Chile	3.5
Argentina	3.6
Rest of Latin America	0.8
Total Latin America	61.1
United States	5.0
TOTAL CUSTOMERS	133.3

LOYAL CUSTOMERS

2017 Achievement

The number of loyal customers rose by 13% in 2017 to

17.3
million



2018 Target

To grow by 8%, to reach

18.6
million



DIGITAL CUSTOMERS

2017 Achievement

The number of digital customers rose by 21% in 2017 to

25.4
million



2018 Target

To grow by 18%, to reach

30
million



* Figures for total customers; i.e. holders of any product and service with a valid contract. Of the countries in Europe listed, Santander Consumer Finance customers are included in "Rest of Europe" except those of the UK. Canada is included in "Rest of Latin America".

Simple, Personal, Fair: products and services

Meeting each customer's needs

- ▶ **11213 World.** The value proposition for individuals. This relationship model rewards balances and gives cashback on household bills and purchases, among other advantages.
- ▶ **Santander Wealth Management.** A new global division bringing together its private banking and asset management businesses, with the aim of providing better service to the Group's private banking customers and boosting the growth of the wealth management business in core markets.

SANTANDER SMES

A global solution to become partners in the **growth of SMEs**, adapted to the characteristics of each market in which we operate. This model, which operates throughout the Group, provides a strong financial offering and other solutions to encourage the internationalisation, training, employment and **digitalisation** of SMEs, in order to become their preferred bank.



Grupo Santander Awards in 2017



The Banker

- ▶ Global Bank of the Year
- ▶ Bank of the Year, Latin America
- ▶ Bank of the Year in Brazil, Spain, Chile and Portugal

Innovative and digital

- ▶ The Bank made progress in its **digital transformation** in 2017 with different initiatives and projects aimed at improving the experience and satisfaction of our 133 million customers. It has four key areas for innovation: Blockchain | Data | Payments | APIs and services. Some noteworthy progress made in 2017:
- ▶ **Superdigital in Brazil.** Platform that allows customers to open a digital payment account with which they can operate in a matter of minutes, without the need to have a bank account.
- ▶ **Openbank in Spain.** First fully digital Spanish bank. It offers its customers a complete portfolio of products and services through a website and mobile app.

SANTANDER CASH NEXUS

A flexible global cash management platform focused on connectivity between the countries where Santander operates, and which combines the local capacities existing in each country with global services. The solution already connects 15 countries where the Group operates.



15
of the Group's
countries connected



Multi-channel

- ▶ The Bank is transforming its commercial model to offer greater availability and a more direct approach through digital channels, but without forgetting Santander's trademark personal approach and service. **Digitalisation of financial services is a strategic priority**, in view of consumers' demands and expectations.



11,920 (-3%)
branches



15.8 (+51%)
MILLION
mobile banking
users



17.6 (+10%)
MILLION
internet banking
users

* The total number of offices including Banco Popular is 13,697.

NEW BANK BRANCH CONCEPT



Our **new branches** are transforming the customer experience in almost 1,000 locations. Highlights are the WorkCafé initiative in Chile, Smart Red in Spain and the new digital branch in Argentina.

In its redesign, Santander is also taking into account accessibility criteria in order to be a bank for everyone.



Euromoney

- ▶ Best Bank in the World for SMEs
- ▶ Best Bank in Latin America
- ▶ Best Bank in Brazil, Poland, Chile, Puerto Rico and Portugal

Products and services offering social and/or environmental added value

FINANCIAL INCLUSION:

Santander supports financial inclusion and literacy, as this helps to share the proceeds of prosperity more widely

Student services

- As part of its relationship with universities, Santander not only helps **provide access to a quality education**, it also helps encourage students to **access basic financial services**.

To achieve this, the Bank develops financial products and services, mainly **special student accounts and cards**, which students can sign up for without having to meet certain financial conditions. Santander also offers low-cost financing to students so that they can pay for tuition, books, transportation and accommodation, among other things.



Tuio, new financial inclusion programme in Santander Mexico

Micro-credits: offering credit to the most disadvantaged social groups

- Banco Santander promotes various micro-financing programmes in order to help **low-income families** to carry out sustainable business activities that support their **social and financial inclusion** and their quality of life and that of the people around them.
- With a focus on Latin America, the Bank offers these lines of micro-credits in Brazil, Mexico and Argentina. Santander is also a shareholder of the microfinance institution, ENLACE SA in El Salvador.

€150 million
in outstanding credit
at the end of 2017

254,921
micro-entrepreneurs
supported in 2017

ONE-ON-ONE FINANCES

tuio
FINANZAS DE TÚ A TÚ

In October 2017, Santander Mexico launched *Tuio*: a financial inclusion programme for people on low incomes. The aim is to have a social impact through a competitive and comprehensive offer of micro-credits.

The goal is to support
280,000
micro-entrepreneurs in four years

prospera
Santander Microcréditos

Santander Brazil promotes the **growth of small businesses**, allowing the most disadvantaged people and those with a lower standard of living to escape poverty.

70% of
micro-credits
granted to female

Other local financial inclusion initiatives

- In Mexico, Santander offers customers the possibility of carrying out basic transactions through more than 19,000 stores such as Oxxo, 7 Eleven and others.
- In Spain, the Bank has 624 branches and 614 agents in sparsely populated regions.
- In Brazil and Argentina Santander has branches in low-income communities. In Brazil, most branch employees also come from the local communities.
- Santander USA announced an "Inclusive Communities" Plan. A new \$11 billion, five-year community Commitment, which includes \$9.1 billion in lending to underserved communities.

CLIMATE FINANCE: Funding the shift towards a low carbon economy and a more sustainable growth

Financing of renewable energies and energy efficiency

► **Project Finance.** In 2017, the Group helped finance new **renewable energy** projects in Brazil, Germany, Mexico, the United Kingdom and the United States, which reach a total installed capacity of 3,390 megawatts (MW).



1,420 MW
Brazil



269 MW
Germany



424 MW
Mexico



171 MW
United Kingdom



1,106 MW
United States

► **Financing lines with multilateral entities.** In 2017 new credit lines were arranged with the EIB, EBRD and IFC for a total amount of €300 million for **energy efficiency and renewable energy** projects in Spain and Poland.

*EIB: European Investment Bank. EBRD: European Bank for Reconstruction and Development. IFC: International Finance Corporation.

Financing low-emission, electric and hybrid vehicles

► In Spain the Bank finances a fleet of 21,111 vehicles. In 2017, the Bank financed 6,325 operations.

Funding sustainable agriculture and livestock farming

► In Brazil, the Bank also encourages the acquisition of low environmental-impact equipment and services through special lines of credit. Santander Brazil prepared a Guide of Best Practices for Agricultural Businesses to publicise these lines of credit. Over €74 million in loans were made in 2017.

SRI Funds: *Santander Asset Management* has various socially responsible investment funds

► *Santander Asset Management* manages **four social investment funds**, three in Spain (*Inveractivo Confianza FI*, *Santander Responsabilidad Conservador FI* and *Santander Solidario Dividendo Europa FI*) and one in Brazil (*Fundo Ethical*). These funds apply socially responsible criteria in their investments, including commitments relating to human, labour and social rights, and respect for the environment.

In 2018, the bank launched two new mixed funds in Spain as part of the Sustainable Santander range, to respond to the growing demand for responsible and sustainable investment and to become a leader in this field.

FINANCING OF RENEWABLE ENERGIES



In 2017, Santander participated in the financing of renewable energy projects, with a generation capacity equivalent to the consumption of

3.6
million households*

ISSUANCE OF THE FIRST GREEN BOND IN POLAND



In 2017, Bank Zachodni WBK signed a subordinated bilateral financing agreement with IFC for €136 million in the form of a green bond with a 10-year maturity, in order to finance energy efficiency and renewable energy projects and projects aimed at improving the management of natural resources and waste in Poland.

MANAGEMENT WITH PRI CRITERIA



In 2017, the assets managed by Santander's advisers according to PRI (United Nations Principles for Responsible Investment) amounted to €72,365 million, which is equivalent to 41% of the total assets managed.

*Equivalence calculated from the Bank's participation in the financing of renewable energies. Using data on the average electricity usage in households for countries in which renewable energies projects have been funded, published by the World Energy Council (2014).

Products and services Commercialisation and consumer protection

The product governance and consumer protection function, which forms part of **compliance and conduct**, designs the crucial elements for the appropriate management and control of marketing and consumer protection. To do so, in addition to the bodies established in the bylaws, the Group has a **commercialisation committee**, whose objective is to prevent the inappropriate distribution of products and services and to ensure the protection of customers by validating products and services. It also has a **consumer monitoring and protection committee**, which monitors the products and services marketed and ensures that customers' needs are met and their rights are protected throughout the entire life cycle.

Corporate consumer protection policy

The function of consumer protection promotes an appropriate culture in the Group, fostering **transparency** and a Simple, Personal and Fair approach that protects customers' rights.

Among these principles and rights, one that is of particular importance is **financial education**, whose objective is to promote financial know-how,

educate on how to use banking services effectively and generate more confidence and security in their use. In order to structure this activity and ensure homogeneous principles of conduct across all financial education initiatives, the Bank has designed some best practices guidelines applicable to all these initiatives, in line with the international criteria of supervisors and regulators.

In 2017, Banco Santander approved and implemented a new corporate consumer protection policy. This establishes the specific criteria to identify, organise and execute the principles of protection for consumers in their relationship with the Group, and also sets out the specific criteria for the control and monitoring of compliance. To achieve this, metrics based on customer feedback that consolidate measures based on satisfaction surveys, as well as on complaints and incidents that are received from customers are being defined in order to contribute to the improvement of customer's experience.

Cyber security

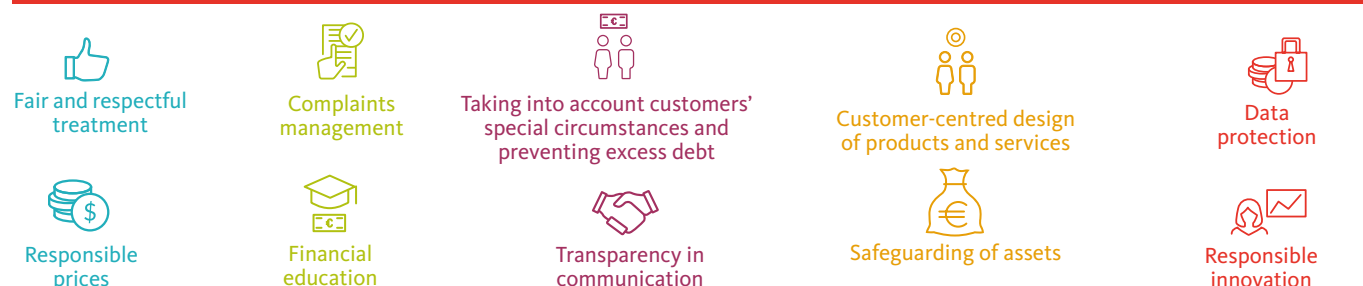
► In 2017, Banco Santander continued to promote measures against **cyber risk, data security and fraud** in customers' normal operations.

► A new **cyber security framework and cyber risk monitoring model** has been developed. The governance of cyber security has been strengthened to ensure this risk is being managed effectively. To ensure the risk is monitored and reported robustly at a global and local level, new cyber security metrics have been created.

► More information on cyber security on pages 264-273 of the 2017 risk management report.



Financial consumer rights



Operational excellence and customer satisfaction

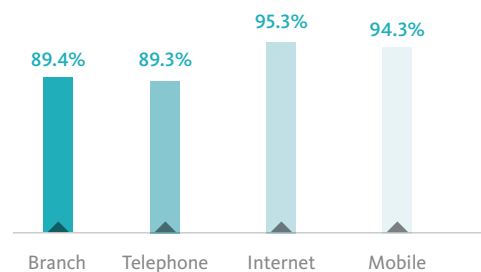
Santander's goal is to rank among the top three financial institutions in terms of customer satisfaction by 2018 in the countries in which we operate*. Santander has various initiatives to measure and monitor customer satisfaction.

More than a million surveys are conducted annually. Efforts are being made to listen to more customers more frequently. Customer satisfaction has also been included as a metric in the variable remuneration systems of most of the Group's employees.

*Except in the US: close to its peers.

CUSTOMER SATISFACTION BY CHANNEL

% satisfaction among active retail customers



2018 Target
to rank among the top 3 for customer satisfaction in all markets*

TOP
competitors



2017 Achievement

This year, the Group is in the top 3 for customer satisfaction in seven countries

7
countries in the top 3



Argentina



Brazil



Chile



Mexico



Portugal



Spain



United Kingdom



Complaints management

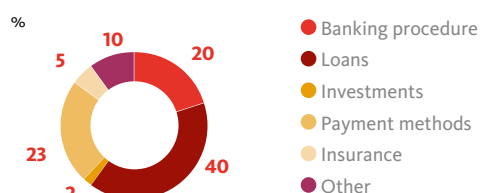
Santander has specialised teams in all its countries managing complaints, handle them according to the Group's policies, complying with local and sector-specific regulatory requirements and offering our customers the best service possible.

We constantly analyse the causes of complaints in all our local units so we can identify and correct systemic problems.

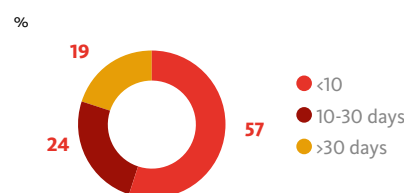
Best practice: Chile

One example of the evolution, processing and improvement in managing customer claims/complaints and problems is Chile. There, Banco Santander ran 12 roundtable sessions to analyse root causes. These were led by the business itself in collaboration with other areas of the Bank and involved 116 participants. The aim was to search for creative solutions and avoid the recurrence of issues that led to customer dissatisfaction. 157 initiatives were defined throughout the project, of which 100 have been implemented (34 technological, 29 improvements to processes and protocols, 10 operational changes in customer service, 16 on information to customers and 11 training programmes for the Bank's personnel).

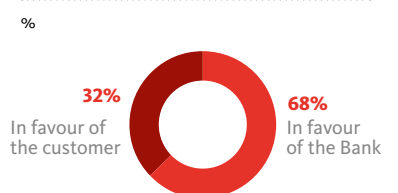
TYPE OF COMPLAINTS



AVERAGE RESOLUTION TIME



RESOLUTION



Shareholders

Our aim is to build lasting loyalty among our 4 million shareholders by delivering sustainable returns, and listening to their views and concerns.



Group Strategy Update 2017.

>4
million
shareholders

178,353
enquiries
answered by
email and
telephone

241
events with retail
shareholders

Creating value, building loyalty

In a positive year for the markets, Santander has remained among the leading European banks in terms of profitability, achieving its financial targets and increasing the total remuneration charged to 2017 to 22 cents per share¹. This represents a 7%² annual rise, of the total dividend per share with an annual increase in the cash dividend per share of 11%². In 2017, the payment of the four regular dividends continued.

Our approach to earning the lasting loyalty and confidence of our shareholders has a number of strands, such as one share, one vote, one dividend; no anti-takeover measures in the Bank's bylaws; and active participation at general meetings. In 2017, Santander broke its record for participation in the general shareholders' meeting (quorum of 64%) and was the first European bank to receive Aenor certification for its general shareholders' meeting as a sustainable event. Another of the bank's priorities is maintaining constant and continuous communication, sharing the relevant information

with its stakeholders, creating a constant flow of information and engagement.

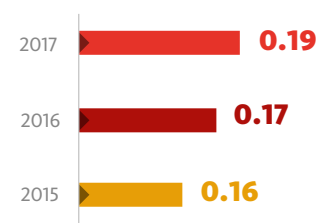
Through its Shareholders and Investors Relations team, Santander offers numerous shareholder service channels which can be used to find: financial information, the publication of significant event notices, share price performance and performance of the Group in general, and calls for different events. In 2017, the Bank launched a WhatsApp service channel for shareholders.

The bank also encourages the participation of shareholders and investors to support for charity projects around the world. In collaboration with the Universia Foundation, in 2017 Santander extended 51 *Capacitas* grants to shareholders and their families to promote the social and workforce integration of disabled people.

1. Subject to the approval of the fourth dividend against the 2017 results by the board of directors and the shareholders' meeting.
2. Adjusted by the July 2017 capital increase.

REMUNERATION IN CASH²

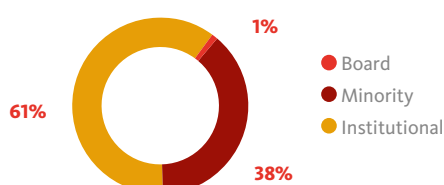
Euros per share



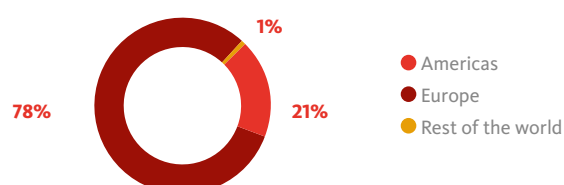
The Santander share price closed 2017 with better performance than the main Spanish index, the Ibex 35, and the European banking index

5.48
euros/share

CAPITAL DISTRIBUTION BY SHAREHOLDER TYPE



CAPITAL DISTRIBUTION BY GEOGRAPHIC LOCATION



The information reported in this chapter does not include Banco Popular data.

Investors

Group Strategy Update was held in New York in October 2017. This was a meeting with analysts and investors to update the vision of the 2016-2018 Strategic Plan. It was attended by 260 investors, analysts, as well as members of the Bank's senior management.

During the event, Santander increased the expected RoTE for 2018 from 11% to 11.5%, thanks to the improved economic prospects in some of the Group's main markets. It also reaffirmed the rest of its targets, including that to raise the profit per share to double digits in 2018 and that to increase, this year and next, both the total dividend and cash dividend per share and the tangible net value per share, as well as all other strategic targets in non-financial variables related to its employees, customers and society.

Engagement with shareholders and investors

► In 2017, we held 1,560 meetings and calls with equity and fixed-income investors and analysts, sometimes with the participation of the Bank's senior management (Chairman, CEO and CFO, among others).

During the year, together with the Sustainability area, there was direct contact with investors specialising in environmental, social and corporate governance issues (ESG), to brief them on the Bank's main lines of action with regard to sustainability.

1,560 meetings/calls ► **149 ESG** analysts/investors

Presence in sustainability indices

► Santander is ranked on the main stock market indices that analyse and assess sustainability in corporate activities.

► *Dow Jones Sustainability Index.* In 2017, Banco Santander once again appeared in the Dow Jones Sustainability Index, in which it has been included since 2000. Ranked ninth worldwide, second in Europe and first in Spain for the seventh consecutive year, the Bank was classified in the bronze category in the banking sector.

► *FTSE4Good, CDP, CDP Water.* Banco Santander is also listed on the FTSE4Good index, with an absolute score in the ESG rating of 4.3 points (five being the maximum score), and has been reporting in CDP (formerly the Carbon Disclosure Project) about its performance on climate change since 2003 and in CDP Water since 2012. Santander has also been participating as CDP signatory since 2007. In 2017, the Bank received a B score in relation to climate change and in CDP Water. This initiative is supported by 827 institutional investors, together managing assets of \$100 trillion.

Furthermore, most of other relevant analysts and ratings for the evaluation of non-financial and sustainability aspects at Santander, such as Sustainalytics, Vigeo, MSCI, and Oekom, show an improvement in the results over the last year and a performance above the sector average.

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM



OTHERS ESG ANALYST VALUATIONS*

Rating/Scoring	2017	Vs. last year	2016	Vs. Sector average
Sustainalytics	68	▲	64	➤
Oekom	C	▲	C-	➤
Vigeo	46	▲	44	◀

* Source, latest rating /scoring available at the end of reference period: Sustainalytics's rating at 31/12/17 and at 31/12/2016; Oekom's rating at 02/01/2018 and at 24/08/2016. Vigeo's 2016 rating and 2014 rating.

Community investment

Across the world, in the communities where we operate, we help people and businesses prosper with initiatives and programmes to support education, entrepreneurship, employability and welfare.



Students of the Complutense University of Madrid (Spain)

- **Grants target 2016-2018**
Award 130,000 scholarships or grants to students and university staff in the period 2016-2018
- **People helped target**
Help 5 million people in 2016-2018

Our unique Universities programme has forged long-term strategic partnerships with universities in 21 countries. Santander is the world's largest corporate contributor to education.

We also invest in many community support programmes to support education, entrepreneurs and welfare. We have also developed products and services to help people on low incomes, as well as entrepreneurs (such as microcredits). On top of this, our team does their bit to support local charities and good causes. In 2017, Santander, together with its employees and customers, helped over 2.1 million people through its **community support programmes**.

Main areas of action for community support



Higher education



Entrepreneurship and job creation



Children's education



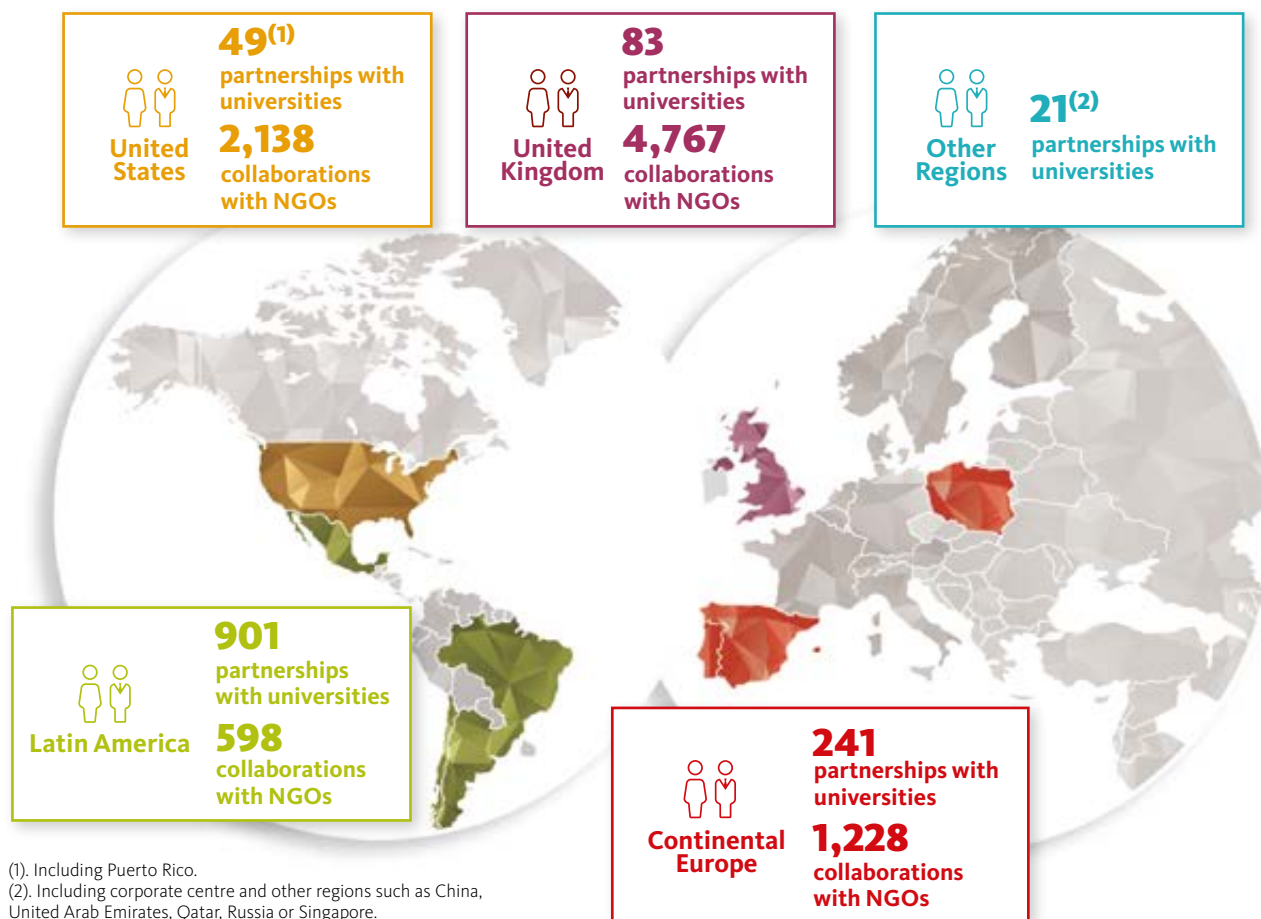
Financial education



Welfare



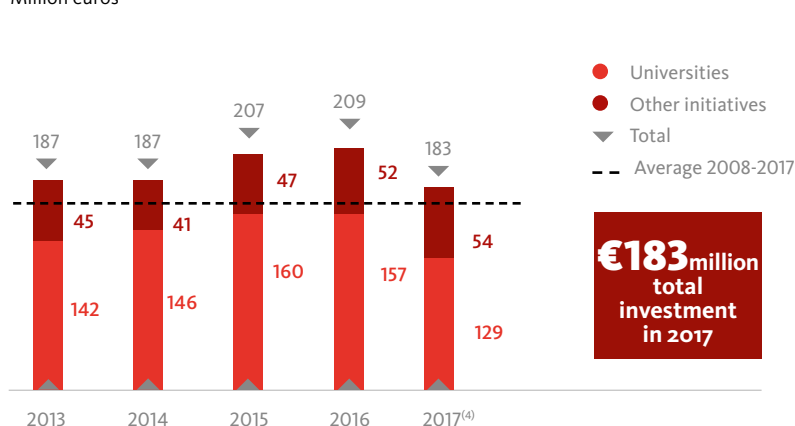
Culture



(3). The Bank has devised a corporate methodology tailored to Santander's requirements and specific model for contributing to society. This methodology identifies a series of principles, definitions and criteria to allow the Bank to consistently keep track of those people who have benefited from the programmes, services and products with a social and/or environmental component promoted by the Bank. This methodology has been reviewed by an external auditor.

COMMUNITY INVESTMENT TRENDS

Million euros



Since 2002, Banco Santander has invested over €2.1 billion in community support. Over €1.6 billion of this amount went into higher education. In the last 10 years the bank has invested an average of €172.4 million per year

(4). In 2017 investment in support of higher education decreases mainly in countries such as Spain and the United Kingdom, where the bank has implemented local adjustment plans to redefine and promote more efficient programs with greater impact. It also decreases in the US, where the bank in 2016 paid a large part of future commitments for 2017 and 2018 in advance.

Santander Universities. Higher education - a driver for progress



Students from Complutense University of Madrid (Spain)

Banco Santander has an international initiative that is unique among private institutions. Its strong **support for higher education** through *Santander Universities* and *Universia* has helped people and communities to prosper for 20 years and give it

the distinction of being the private company that invests more in support of education than any other private company in the world (*Varkey Report/UNESCO/Fortune 500*).

More information about
Santander Universities.



► **€129 million**
to universities

► **1,295**
agreements with
universities and academic
institutions in 21 countries

► **>3,000**
projects with
universities

Grants and social impact

Santander runs **the largest scholarship programme financed by a private company in the world**. In 2017:

- **17,577** university exchange grants for students, lecturers and researchers from 17 countries.
- **13,510** study grants for young people, to start or continue their training.
- **5,821** Santander exchange grants for business internships in Germany, Argentina, Brazil, Chile, Spain, Poland, Portugal, Puerto Rico and the UK.
- **2,161** awards for excellence, research, innovation and entrepreneurship.

► **39,069**
university
scholarships and
grants awarded

5,793
online
education
scholarships and
grants awarded

Entrepreneurship in universities

2017 saw the launch of **Santander X**, which aims to become the world's largest ecosystem for university entrepreneurship, along with, in the framework of Santander X, the **Young people with ideas** explorer programme, an evolution of Santander YUZZ, offering free training, support and mentoring to young people aged between 18 and 31 who want to develop their business ideas.

The awards for entrepreneurship and innovation in different countries like Brazil, Argentina, Chile, Mexico, Portugal, Spain and the United Kingdom also contribute to promoting and encouraging an entrepreneurial culture and decisively contribute to the progress of people and the construction of this great entrepreneurial ecosystem.

► **25,000**
candidates presented every year
at the Santander Awards for
entrepreneurship

SANTANDER X The global ecosystem for entrepreneurship

Promoted by Banco Santander and 40 international universities, the goal is to create a collaboration network in which universities and entrepreneurs can share ideas and knowledge, good practices and even attract investment and customers in the future.

€50 million
The Bank will allocate
€50 million to university
entrepreneurship in
the coming four years

Santander Awards for Business Innovation

MediPrint is a business project providing high-tech medical solutions, using 3D printing manufacturing.

Its main product, NovaCast, is a more comfortable alternative to the plaster cast and ensures the rehabilitation of those users who need it. It offers suitable ventilation and inspection, and is fitted quickly and easily without the risk of mistakes.

This project obtained first place in the Business Projects with Social Impact category at the 12th edition of the 2017 Business Innovation Awards.



MediPrint project, winner of the Santander Awards for Business Innovation 2017.

“ Entrepreneurship is not a quick option. Mediprint has been fighting for four years and Santander has accompanied us along the way, providing training, scholarships and support, which has allowed the company to grow and we are eternally grateful for this



Zaid Badwan, MediPrint
(UNAM, Mexico).

Employability and opportunities

Training, achievement and excellence are the basis of personal and professional progress, the instruments that help young people to be more employable and competitive in professional environments that are increasingly changing, digital and dynamic.

Santander Universities and Universia have developed initiatives to **help young people join the labour market**, develop their skills, find jobs and develop their talents - all of which promotes equality and inclusion.

► **1 million**
jobs brokered through the
employment community in
2017*

* Estimate 40% of the total published vacancies in 2017. (2.7)

Digitalisation and modernisation of universities

Santander Universities' digital strategy aims to encourage the modernisation of universities, promoting and revitalising their programmes and initiatives on social networks.

This strategy includes, among other things, the development of AppS, such as **app Crue** in Spain, which in 2017 has recorded 51,426 downloads at 11 universities and other services such as consulting academic notes, timetables, access, library catalogues, etc.

► **3.4 million**
University Smart Cards
(USCs) issued in 2017

FUNDACIÓN
uni>ersia

The Fundación promotes the autonomy of young people with disabilities through innovative and inclusive experiences that allow reaching their maximum potential. Noteworthy is the Scholarship project, which promotes access to knowledge, enhancing the development of skills, international mobility and volunteer experiences for university students with disabilities. In the last year, the foundation has helped a total of 10,182 people through the different programs it develops.



More information about
Fundación Universia.

Other community initiatives



Child education programme in Santander Rio, Argentina.

In 2017, the Bank invested over €54 million in community support, through local programmes used to foster education, entrepreneurship and welfare.

Commitment to childhood education

Our activities are focussed in Latin America, where for many years the Bank has supported educational projects.

Financial education

We run local programmes in partnership with other organisations to raise children's awareness of the importance of saving, to prepare young people embarking on an independent life and to assist families when making basic decisions. For our SME and self-employed professional customers, the Bank holds **financial training workshops and master-classes**.

Support for social welfare

We help to **tackle social exclusion** by backing programmes that address poverty, vulnerability and social marginalisation. We also supports programmes to prevent diseases and promote health, as well as welfare programmes designed to help differently-abled people and their families, helping them to find a place in society and rehabilitate themselves.

Protection and dissemination of culture

We support cultural initiatives via:

- Banco Santander Foundation, which supports activities in the fields of art, education and young talent, literature, the environment and science.
- Santander Cultural which offers programmes in visual arts, culture, music, education and films.

Support in emergency situations

Santander donated more than €2 million to the relief and recovery efforts of Mexico and Puerto Rico after the earthquake and the hurricanes suffered in 2017. The Bank also provided support through grace periods on payments for clients and special loans for employees.

In addition in Portugal, Santander Totta in collaboration with clients and employees, created a solidarity fund that allocated more than €500,000 to support the population affected by the severe forest fires.



► **€54 million**
social
investment



► **8,731**
partnerships with
social institutions
and entities



► **2.1 million**
people helped



► **414,486**
children helped through
programmes to support
child education



► **642,283**
people helped through
financial education
programmes



► **611,060**
people helped through
programmes designed to
tackle social exclusion,
initiatives focused on
health and investigating
disease and rehabilitation
programmes for differently-
abled people

The figures on people helped were obtained by applying a corporate methodology tailored to Santander's requirements and specific model for contributing to society.

More information about
Community investment



Analysing the impact of our social initiatives

In 2017, Banco Santander started to homogeneously and rigorously identify and measure the impact that different promoted social initiatives have on people and communities where the bank is present.

To do this measurement, the bank has relied on a methodology based on principles included in international frameworks for measuring impact, such as the London Benchmarking Group (LBG) and the World Business Council for Sustainable Development (WBCSD). The Sustainable Development Goals (SDG) were also taken into account. This methodology also measures the impact of collaboration that the Bank has on the management of the institutions (NGOs) and supported programmes.

The categories are not exclusive: a person may have access to a new service, which in turn enables them to improve their personal situation or even transform their lives

► Advanced impact TRANSFORMATION

Beneficiaries that experienced a profound change in their lives

44.3%
beneficiaries

► Average impact IMPROVEMENT

Beneficiaries that experienced an improvement in their personal or family situation

20.2%
beneficiaries

► Basic impact ACCESS

Beneficiaries that learned about or had access to new services and tools

54.1%
beneficiaries

Contribution to sustainable development goals through community investment



68,155

beneficiaries in programs focused on the fight against poverty



85,229

beneficiaries in programs focused on guaranteeing quality education and abilities learning



11,293

beneficiaries in programs promoting inclusive and sustainable economic growth, and productive employment



4,938

beneficiaries in programs promoting social inclusion

Mujeres por África



Santander, in collaboration with the Women for Africa Foundation, promotes various projects to promote the leadership and empowerment of African women and contribute to the progress of Africa.

Highlights Ghana wins project for the training of Ghanaian women in 3 key sectors for the development and transformation of the country: education, health and social leadership. The objectives achieved have been:

- 108 direct beneficiaries: 36 teachers, 30 nurses and 42 social leaders.
- 88 change projects developed in schools, hospitals and social organizations.

More than 4730 people have been helped, directly and indirectly, by the programmes developed by Mujeres por Africa with the Support from Banco Santander. In addition to Ghana Wins!, other initiatives such as Impact Forum of Yale, Launch&Grow and Voces Verdes are highlight.



More information about
Women for Africa
<https://www.mujeresporafrica.es/en>

■ IMPACT ON NGOS WITH WHICH THE BANK COLLABORATES



62%

were able to maintain or improve the management of the organisation



72%

were able to push through new initiatives and/or expand existing ones



42%

were able to better attend to or expand the network of people the can help

Study made from a sample of 40 initiatives that together have helped 86,821 people.

Tax contribution

The Santander Group contributes economically and socially to the countries in which it operates by paying all direct taxes (own taxes¹) levied on the Group and withholding indirect taxes from third parties generated through business activity, collaborating fully with the local tax authorities (taxes from third parties²).

This puts total taxes raised and paid by the Santander Group in 2017 at €18,777 million, of which €7,972 million correspond to own taxes with the remainder being taxes collected from third parties. This means that for every €100 of gross profit raised by the Group, €38 correspond to taxes paid and collected, as followed:

- €22 for the payment of taxes collected from third parties.
- €16 for own taxes paid directly by the Group.

In the case of own taxes, this figure would rise to €66 for each €100 if profit before tax were used instead of gross profits, and would be €49 if it were adjusted for own taxes excluding net payments for income tax.

The taxes included in each year's income statement are largely income tax accrued in the period (see p. 24 of the auditors' report and the financial statements), non-recoverable VAT, employer social security contributions, and other levies paid, regardless of the date these amounts are paid, while the Group's own taxes shown in the accompanying table are included in the cash flow statement.

These figures usually differ as each country's tax regulations stipulate when taxes should be paid. The payment date therefore normally varies slightly from the date the income is generated or the transaction is taxed.

However, it should be noted that the effective rate resulting from comparing these figures with the Group's pre-tax profit is 32.1% in the case of accrued income tax, and 34.3% in the case of income tax paid in 2017. Both effective rates are higher than the nominal Spanish Corporate Tax rate (30%) levied on the earnings of the Group's parent. This difference is caused, among other reasons, by the greater contribution of the Group's profits in jurisdictions with a higher nominal tax rate. Thus, close to half of the profit is generated in jurisdictions with a tax

€ 7,972 million
in own taxes



€ 10,805 million
in third-party taxes



€ 18,777 million
in social contribution



1. Including net income tax payments, VAT and other non-recoverable indirect taxes, social security payments made by the employer and other payroll taxes, and other taxes and levies.
2. Including net payments for salary withholdings and employee social security contributions, recoverable VAT, tax deducted at source on capital, tax on non-residents and other taxes.

rate equal to or greater than 35%, whereas only 15% is generated in jurisdictions with a rate equal to or lower than 25%.

Additionally, the gradual increase over recent years of other taxes levied on banking activity must be kept in mind, such as the Bank Levy in the United Kingdom, Poland and Portugal, and the taxes levied on financial transactions (the Brazilian IOF and Argentinian debit/credit tax, among others). These, together with the contributions made by employers to public social security systems, non-recoverable indirect taxes and non-state taxes, make the Group's tax contribution, through own taxes paid to the public administrations of the jurisdictions in which the Group operates, increase to up to 65% of pre-tax profits.

In accordance with the principles established in its fiscal strategy, Santander seeks to ensure transparency, avoiding the use of opaque structures for tax purposes. More information about the presence of Santander in off-shore entities in note 3 c of the Audit Report and Annual Accounts.

Countries where taxes are highest are jurisdictions where the most income is generated:







Million euros					
Jurisdiction	Own taxes			Third-party taxes	Total contribution
	Corporate income tax	Other own taxes paid	Total own taxes paid		
Spain	1,159	1,130	2,290	1,738	4,028
UK	574	486	1,060	433	1,493
Portugal	22	123	146	164	310
Poland	161	168	329	124	453
Germany	169	51	160	225	445
Rest of Europe	424	181	605	-37	568
Total Europe	2,509	2,140	4,649	2,647	7,296
Brazil	915	872	1,787	3,193	915
Mexico	198	174	372	411	198
Chile	245	67	312	278	245
Argentina	143	375	517	3,314	143
Uruguay	47	91	138	43	47
Rest of Latin America	14	13	27	13	14
Total Latin America	1,561	1,592	3,153	7,252	1,561
United States	63	101	164	897	1,061
Other	4	3	6	8	15
TOTAL	4,137	3,835	7,972	10,805	18,777

Environment and climate change

Climate change represents one of the greatest global challenges of our time. The financial sector has a major role to play in supporting the transition to a low carbon economy.



Main highlights 2017

3,390 MW of renewable energy financed 	1st Green Finance Conference in Spain 	NEW New mining and metals industries policy 	43% renewable energy consumed 	1st first green bond issued by Bank Zachodni (Poland) 	TCFD UNEP FI pilot project for the implementation of the TCFD* recommendations 
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*Task Force on Climate-related Financial Disclosure.

“

Banco Santander supports the recommendations of the *Task Force on Climate-related Financial Disclosure* (TCFD) of the *Financial Stability Board* (FSB).

By being more transparent, we help to raise awareness about both the financial risks, and the opportunities, that climate change brings.

”

Analysis of social and environmental risks and opportunities

Sector-specific policies

Santander analyses the social and environmental risks of all its project finance deals, within the framework of its sustainability policies. Following its 2015 review, these policies apply to more activities, more customers and more operations and are broader in scope than the Equator Principles. Banco Santander has published the main criteria on which all activity and decisions related to the energy, defense and soft commodities sectors (products such as palm oil, soybeans, wood and livestock) must be based. We have also developed a new sector-specific policy focused on the mining and metals sector.

To improve the management and processes for meeting sector-specific policies, there are **working groups** for social, environmental and reputational risk in all locations where the Group is present. The Bank has also continued with its **employee training and awareness** campaigns. The latest was a video tutorial explaining the process of adaptation for the sector-specific policies and involving those from the Bank who are ultimately responsible for this area.

Equator Principles





Thirty-seven projects were analysed in 2017 under the Equator Principle's scope, all within the Project Finance category. The majority are included under categories B and C, which are those classified with medium and low risk.

Additionally, in October 2017 the Bank attended the annual meeting of the Equator Principles in Brazil, where the **rights of indigenous communities** and **climate change** were the main topics for discussion.

Pilot project - UNEP FI

Santander, together with 15 other major banks, have joined the UNEP FI initiative to develop a pilot project to implement the **recommendations of the TCFD**. They have committed to developing specific analytical tools and indicators **to value and assess the possible impact of climate change**.

■ EQUATOR PRINCIPLES

CATEGORY	Project Finance		
	A	B	C
TOTAL	1	31	5
 Sector			
Infrastructures	1	1	0
Oil & Gas	0	1	0
Energy	0	27	0
Real Estate	0	0	5
Others	0	2	0
 Region			
America			
United States	0	19	0
Mexico	0	1	5
Brazil	1	1	0
Europe			
United Kingdom	0	6	0
Germany	0	2	0
Spain	0	2	0
 Type			
Designated countries*	0	26	0
Non-designated countries	1	5	5
 Independent review			
Yes	1	31	5
No	0	0	0

* In accordance with the definition of designated countries included in the Equator Principles, i.e., those countries considered to have a solid framework of environmental and social governance, legislation and institutional capacity to protect their inhabitants and the environment.

Climate finance

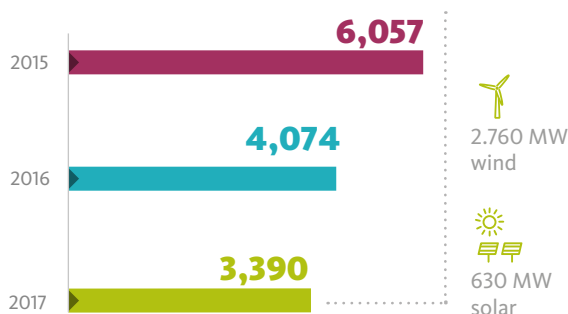
The shift towards a low-carbon economy presents an opportunity for us to fund renewable energy, and energy efficient projects.

Project Finance

► In 2017 the Bank helped finance new **renewable energy** projects, including photovoltaic power plants and wind farms, the total installed capacity of which amounts to 3,390 MW (megawatts). The decrease with respect to last year is mainly due to the lack of financing of offshore wind energy projects, which tend to be the ones with the greatest installed capacity.

FINANCING OF RENEWABLE ENERGIES

(MW financed)



* The data corresponding to 2015 and 2016 have been recalculated due to a change in the accounting methodology.



Banco Santander has led the financing of the largest wind farm in Latin America

In 2017, the Bank has led the financing of Latin America's largest wind farm located in Mexico. It is called Reynosa III and has a capacity of 424 MW, enough to supply 786,915 Mexican homes. It is the first project under the long-term tenders organised by the Mexican Federal Electricity Commission.



► **Leading lender for renewables in the United States.** For the second consecutive year, SGCB* has been the **Leading lender for renewables in the United States**, in the fourteenth edition of the Power Finance & Risk Awards from Euromoney/Institutional Investor

*Santander Global Corporate Banking

Credit lines with multilateral entities

► In 2017 new credit lines were arranged with the EIB, EBR and IFC for a total amount of **€300 million** for energy efficiency and renewable energy projects in Spain and Poland.

Other products with added social and environmental value

► In 2017 the Bank played an active role in the **green bond** issuances in Spain, the United Kingdom and Latin America, supporting the transition towards a lower carbon emission economy. For example, in Chile, Santander acted as

the main coordinator (bookrunner) of the 10-year green bond first issuance of a Chilean company. Further information about products with added social and environmental value on pages 32 and 33.

Driving change

The Energy market is in critical transition. Governments and our clients trying to find an answer to the energy trilemma of 'Security of Supply', 'Customer Benefit' and 'Climate Change'. Technological advancements, changing demand patterns, and significant commercial improvements in the new energy space, are challenging the business models and past investments. The climate change challenge is demanding a vital

re-positioning from our corporate clients. During this transition, Santander sees its role as a 'critical friend' with an informed dialogue to enable our clients to move into a sustainable future. Furthermore, the Bank actively participates with local and international entities and institutions in promoting debate and collaboration, with the aim of **supporting the transition towards a low-carbon economy**.

Santander Global Corporate Banking (SGCB) celebrated the first **Santander Green Finance Conference**, convening relevant partners to further market opportunities.

Internal operations

2016-2018 efficiency plan

- ▶ In 2016, the Group launched the 2016-2018 plan containing more than 200 initiatives related to **energy efficiency and sustainability**, that were aimed at reducing the electricity consumption in buildings (-9%), paper consumption (-4%) and greenhouse gas emissions (-9%).



**TARGETS ACHIEVED 100%
A YEAR EARLIER**

Main highlights

- ▶ **LEED Platinum certification** for the Poznan Business Garden building.
- ▶ **ISO 14001:2015 certification** for the Data Processing Centre of Santander Spain.
- ▶ In the headquarters and within the *New Ways of Working* framework different environment related initiatives have been implemented, such as **recycling activities or energy efficiency measures**.
- ▶ Santander has been categorized as the best bank within the **Newsweek Green Ranking**, which mainly analyzes environmental management performance.
- ▶ The *Dow Jones Sustainability Index* gave the best score (100) to Banco Santander regarding its internal **environmental management**.
- ▶ Santander Brasil was one of the winners of the 2017 **Latam Green Finance Awards**, in the category of Eco-efficiency Practices.

Next steps

- ▶ The Bank is working on developing a **new efficiency plan** with new reduction targets
- ▶ Headquarters: target of achieving the **Zero Waste** certification. In addition, a new **environmental awareness campaign** for employees will be launched.

Environmental footprint

Var. 2016-2017 (%)

2,872,853 M³
water consumed

-8.7

1,112 M KWH
total electricity



43%
renewable
energy

-5.6

20,003 T
total paper consumed



85%
recycled or certified
paper

-11.6

8,972,420 KG
paper and cardboard waste

-2.5

4,522,999 GJ
total internal electricity consumption

-4.4

364,306 CO₂ teq
total emissions (*market based*)

-12.9

▶ **Scope 1**

28,941 CO₂ teq
direct emissions

7.2

▶ **Scope 2**

▶ **226,455 CO₂ teq**
indirect electricity emissions
(*market based*)

-12.3

▶

374,346 CO₂ teq
indirect electricity emissions
(*location based*)

-5.4

▶ **Scope 3**

108,910 CO₂ teq
indirect emissions from employees
travelling to work

-17.9

The Environmental Footprint table with 2-year historical data and the consumptions and emissions per employee can be found in the Key Metrics section (page 57).

Suppliers

Banco Santander establishes measures based on ethical, social and environmental criteria that ensure long-term sustainability throughout the value chain.

Santander and its suppliers

Banco Santander has commercial ties with 9,104 approved suppliers. In 2017, the Group had a trading volume with third parties, through the procurement system, of €3,943 million, of which €1,348 million was managed through the Group's online procurement platform*.

An important part of the procurement function is carried out through Aquanima, a specialist procurements company belonging to the Santander Group. In total, in 2017, there were 5,812 contract awards resulting in 3,752 suppliers being successful in their tenders. Of these suppliers, 95% are local suppliers, representing 98% of the total procurement volume and reflecting significant support for local economies.

Sustainability in the supply chain

Santander has a model and policy for managing its suppliers, setting out a common methodology for all countries to follow when selecting, approving and evaluating suppliers.

*The trading volumes corresponding to Portugal, UK, Uruguay, Poland, Produban Spain, Produban Portugal, Produban Brazil, Produban Mexico, Produban UK and USA Produban have been estimated based on the plans of purchases approved by each of the countries.



95% local suppliers

Companies that operate in the same geographical area in which the procurement, service and billing is carried out



Supplier approval policy

Within the supplier approval policy, a supplier is **viewed positively** if:



They have signed up to the Global Compact or have their own ethical, social and environmental principles.



They have **frameworks, policies, procedures, certifications, indicator records and/or different environmental and social initiatives** (internal environmental management system, environmental performance indicators, environmental awareness campaigns, recycling programmes, diversity programmes, measures to promote a work-life balance, philanthropy, etc.).



Furthermore, following the 2015 implementation of the corporate framework of arrangements with third parties and the control of suppliers and its to 2017 update, **the risks inherent to the activity to be carried out by the supplier are covered**, these being assessed through the service dimension approval.

Best practices



UK

In line with the Modern Slavery Act 2015, Santander UK actively seeks to prevent slavery and people trafficking throughout the entire value chain. To do this, different measures have been implemented. For example, suppliers are required to comply with specific requirements regarding respect for human rights, as well as implement ethical labour practices.



UNITED STATES

Supplier Diversity Program. Santander is committed to diversity in the supply chain as an integral part of its general procurement strategy, improving the economic opportunities of companies that are local, disadvantaged and managed by women.



BRAZIL

Given that over 50% of Santander Brazil's emissions originate in the value chain, in 2017 Santander Brazil invited 73 suppliers from critical sectors to participate in the CDP *Supply Chain*. 49% of those invited took part and received information on the management of emissions and climate change in the chain. As a result of this, Santander Brazil obtained the second best overall result for the companies forming part of the programme in 2017.



MEXICO

Suppliers and contractors were given training through a course on sustainability, the life cycle and environmental risk.



SPAIN

Santander's average Days Payable Outstanding (DPO) is 10.4 days, a period shorter than the legal maximum of 60 days established in Law 15/2010, of 5 July, which introduces measures to combat late payments in commercial operations.



PORTUGAL

Banco Santander Totta, certified as a Family Responsible Company by the Màsfamilya Foundation, recognises the importance of adopting measures to improve the work-life balance of its employees, so it recommends that its suppliers implement measures of this type.

Communication and conduct

The compliance function, carries out regular reviews and controls of approved suppliers, both globally and in local markets, with special focus to prevent money laundering and terrorist financing. Among the criteria set forth for selecting suppliers, the way in which they comply with the regulations on anti-money laundering is taken into account. The controls performed also include those necessary to detect people and entities who appear on lists of mandatory international sanctions for the Santander Group, negative new items and the possible presence of so-called "people with public responsibility".

If necessary, and taking into account the risk of the incidents detected, those responsible for the

management and the recipients of services are recommended to establish reinforcement measures.

Whistleblowing channels

In 2016, Santander set up a **whistleblowing channel for suppliers**, through which any supplier that provides services to Banco Santander, S.A. or any of its subsidiaries in Spain are now able to report any inappropriate conduct by Group employees in the framework of the contractual relationship between the supplier and Santander. In 2017, whistle-blowing channels for the Group's suppliers have been established in five more countries: Argentina, Brazil, Chile, Mexico and Portugal.

In 2017, whistleblowing channels for the Group's suppliers were established in five more countries: Argentina, Brazil, Chile, Mexico and Portugal

MAIN SUPPLIERS BY COUNTRY

Suppliers by awards section and country

	Brazil	Spain	Mexico	United States	Argentina	United Kingdom	Portugal	Chile	Germany	Uruguay	Total
>€1,000,000	217	109	40	31	53	54	9	31	17	-	561
> €300,000 < €1,000,000	231	93	100	55	71	42	20	35	27	4	678
> €50,000 < €300,000	380	177	125	102	126	81	58	49	73	7	1,178
<€50,000	594	188	109	74	183	38	85	76	28	20	1,395
Total	1,422	567	374	262	433	215	172	191	145	31	3,812

* There was a total of 3,752 successful bidders, some of which operated in various countries.

Key metrics

Employees

1 ■ WORKFORCE DISTRIBUTION BY AGE BRACKET

% of total

	aged <= 25	aged 26-35	aged 36-45	aged 46-50	aged over 50
Continental Europe	2.61	22.06	37.38	16.58	21.37
United Kingdom	15.65	34.07	23.28	10.09	16.90
Latin America and other regions	11.32	42.74	27.07	8.17	10.69
Group total	8.88	34.43	30.13	11.34	15.21

2 ■ DISTRIBUTION OF NEW HIRES BY AGE BRACKET

% of total

	aged <= 25	aged 26-35	aged 36-45	aged over 45
Continental Europe	30.48	46.27	17.96	5.31
United Kingdom	51.64	29.44	11.22	7.69
Latin America and other regions	38.46	42.05	12.96	6.53
Group total	39.22	40.68	13.61	6.50

3 ■ EMPLOYEES BY ENTITY AND GENDER

Entity	% men	% women	% univ. title
Argentina	50.26	49.74	22.53
Brazil	41.35	58.65	75.27
Chile	45.18	54.82	36.93
Spain	55.19	44.81	49.19
Mexico	46.48	53.52	46.46
Poland	28.63	71.37	70.22
Portugal	53.10	46.90	50.64
United Kingdom	40.54	59.46	n.a.*
US	41.20	58.80	15.36
Santander Consumer Finance	45.72	54.28	33.08
Other companies	48.98	51.02	37.35
Total	45.20	54.80	44.58

(1) Santander UK does not report data for confidentiality reasons.

4 ■ EMPLOYEES WHO WORK IN THEIR HOME COUNTRY*

%

	Managers	Other employees	Total
Continental Europe	90.38	96.57	97.75
United Kingdom	91.78	96.67	96.87
Latin America and other regions	87.46	97.32	99.01
Group total	89.61	96.94	98.30

* United States data not included.

5 ■ DIFFERENTLY-ABLED EMPLOYEES

%

Continental Europe	1.12
United Kingdom	1.35
Latin America and other regions	2.07
Group total	1.65

* United States data not included.

6 ■ FUNCTIONAL DISTRIBUTION BY GENDER

	Senior officers			Other managers			Partners		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Continental Europe	978	290	1,268	6,557	2,908	9,465	27,009	33,287	60,296
United Kingdom	115	31	146	1,252	639	1,891	8,828	14,317	23,145
Latin America and other regions	507	91	598	6,569	4,024	10,593	39,612	55,237	94,849
Group total	1,600	412	2,012	14,378	7,571	21,949	75,449	102,841	178,290

7 ■ EXTERNAL TURNOVER RATE BY AGE BRACKET*

% of total

	aged <= 25	aged 26-35	aged 36-45	aged 46-50	aged over 50	Total
Continental Europe	39.77	14.77	4.04	2.51	8.39	8.01
United Kingdom	36.95	17.03	9.14	7.33	10.86	16.29
Latin America and other regions	24.41	15.61	12.95	13.63	19.60	16.14
Group total	28.91	15.61	8.74	7.26	12.86	13.35

* Excludes temporary leaves of absence and transfers to other Group companies.

8 ■ EXTERNAL TURNOVER RATE BY GENDER*

%

	Men	Women	Total
Continental Europe	7.21	8.76	8.01
United Kingdom	18.96	14.51	16.29
Latin America and other regions	17.06	15.42	16.14
Group total	13.62	13.12	13.35

* Excludes temporary leaves of absence and transfers to other Group companies.

9 ■ TRAINING

	2017	2016
Total hours of training	8,016,912	6,435,034
% employees trained	95.87	94.52
Total attendees	5,297,451	2,932,624
Hours of training per employee	39.64	34.14
Total investment in training	97,787,322 €	88,815,825 €
Investment per employee	483.49	471.19
Cost per hour	12.20	13.80
% female participants	54.58	54.96
% of e-learning hours	48.06	
% of e-learning training attendees	93.33	88.65
Employee satisfaction (up to 10)	8.10	8.10

10 ■ HOURS OF TRAINING BY CATEGORY

	Average
Senior officers	34.21
Other managers	51.29
Partners	38.27
Group total	39.64

11 ■ HOURS OF TRAINING BY GENDER

	Average
Men	40.66
Women	38.80
Group total	39.64

12 ■ RATIO BETWEEN THE BANK'S MINIMUM ANNUAL SALARY AND THE LEGAL MINIMUM ANNUAL SALARY BY COUNTRY (%)

	Bank's minimum wage Legal minimum wage
Germany	215
Argentina	277
Brazil	249
Chile	207
Spain	184
Mexico	186
Poland	100
Portugal	215
United Kingdom	107
US	172

13 ■ ABSENTEEISM BY GENDER AND REGION*

%

	Men	Women	Total
Continental Europe	3.21	6.92	5.15
United Kingdom	3.55	5.04	4.44
Latin America and other regions	1.39	2.57	2.03
Group total	2.13	4.04	3.17

* Hours missed due to occupational accident, non-work related illness and non-work related accident for every 100 hours worked.

14 ■ WORK-RELATED ILLNESS RATE*

%

	Men	Women	Total
Continental Europe	0.07	0.14	0.10
United Kingdom	0.01	0.03	0.02
Latin America and other regions	0.38	0.52	0.46
Group total	0.26	0.36	0.32

* Hours missed due to occupational accident involving leave for every 100 hours worked.

15 ■ OCCUPATIONAL HEALTH AND SAFETY

No. of fatal occupational accidents	4
Hours missed due to non-working related illnesses and accidents (millions of hours)	11.7

Customers

16 ■ DIALOGUE BY CHANNEL

At 31 December

	2017	2016	Monthly
Branches			
Number of branches*	11,920	12,235	-3%
ATMs			
N° ATMs	35,700	36,559	-2%
Total monetary transactions ³	1,397.8	1,376.6	2%
Digital banking¹			
Users ²	25.4	20.9	21%
Visits ³	4,046	3,297	24%
Monetary transactions ³	1,102.9	856.3	29%

* The total number of offices including Banco Popular is 13,697.

1. Santander Consumer Finance not included.

2. Counts once for users of both Internet and mobile banking.

3. Millions.

17 ■ CUSTOMER SATISFACTION

% satisfaction among active retail customers

Bank	2017	2016	2015
Spain	85.5	85.0	86.7
Portugal	91.4	91.9	93.1
UK	96.0	96.2	95.7
Poland	95.9	96.0	96.4
Brazil	77.9	74.8	71.6
Mexico	96.4	94.1	94.0
Chile	91.6	95.9	92.6
Argentina	87.1	87.1	87.6
US	81.8	84.6	81.8
Total	88.0	87.5	86.6

Source: Corporate benchmarking of experience and satisfaction among active Retail & Commercial banking customers. Based on audited external and local studies developed by well-known vendors (IPSOS, IBOPE, GfK, TNS...) (Data at end 2017, corresponding to survey results in the second half of the year).

18 ■ TOTAL COMPLAINTS RECEIVED

Bank	2017	2016	2015
Spain ¹	107,103	34,920	25,143
Portugal	4,275	5,028	2,985
United Kingdom ²	37,746	39,926	35,521
Poland	4,785	4,501	7,314
Brazil ³	101,589	88,623	86,709
Mexico	51,895	48,524	39,895
Chile	5,526	5,562	6,745
Argentina ⁴	4,372	2,838	1,267
USA ⁵	4,041	2,477	1,436
SCF	30,126	33,027	29,564

Compliance metrics according to Group criteria, homogeneous for all geographies.

It may not match with other local criteria such as Financial Conduct Authority (FCA) in the United Kingdom or in Brazil.

1. Sectorial Increase in number of complaints in Spain mainly due to two causes: mortgage set-up costs and floor clauses, the first of which is awaiting for the final decision of the court
2. The increase in the UK is due to a readjustment in the definition of complaints as a consequence of reporting criteria of the regulator aligned with the corporate criteria.
3. The increase in Brazil is due to internet banking fraud and cases of debt renegotiation.
4. In Argentina, the increase is due to the integration of the acquired portfolio of Citi Bank.
5. In the USA, the activity refers only to Santander Bank, and the increase is due to a change in the definition of complaint in 2017.

Shareholders

19 ■ SHAREHOLDER BASE AND CAPITAL

Concept	2017	2016
Shareholders (number)	4,029,630	3,928,950
Outstanding shares (number)	16,136,153,582	14,582,340,701
Average daily trading volume (number of shares)	79,301,441	100,707,234

Environment and climate change

20 ■ ENVIRONMENTAL FOOTPRINT 2016-2017¹

	2017	2016	Var. 2016-2017 (%)
Consumption			
Water (m ³) ²	2,872,853	3,148,307	-8.7
Water (m ³ /employee)	14.68	15.95	-8.0
Normal electricity (millions of kwh)	639	664	-3.8
Green electricity (millions of kwh)	473	514	-7.9
Total electricity (millions of kwh)	1,112	1,178	-5.6
Total internal energy consumption (GJ)	4,522,999	4,730,875	-4.4
Total internal energy consumption (GJ/employee)	23.11	23.96	-3.6
Total paper (t)	20,003	22,632	-11.6
Recycled or certified paper (t)	16,969	19,211	-11.7
Total paper (t/employee)	0.10	0.11	-10.9
Waste			
Paper and cardboard waste (kg) ³	8,972,420	9,199,786	-2.5
Paper and cardboard waste (kg/employee)	45.84	46.60	-1.6
Greenhouse gas emissions			
Direct emissions (CO ₂ teq) ⁴	28,941	27,001	7.2
Indirect electricity emissions (CO ₂ teq)-MARKET BASED ⁵	226,455	258,356	-12.3
Indirect electricity emissions (CO ₂ teq)-LOCATION BASED ⁵	374,346	395,643	-5.4
Indirect emissions from displacement of employees (CO ₂ teq) ⁶	108,910	132,734	-17.9
Total emissions (CO ₂ teq)- MARKET BASED	364,306	418,091	-12.9
Total emissions (CO ₂ teq/employee)	1.86	2.12	-12.1
Average number of employees	195,732	197,408	-0.8

1. The scope of the information includes the main operating countries: Argentina, Brazil, Chile, Germany, Mexico, Poland, Portugal, Spain, United Kingdom and United States (excluding Puerto Rico and Miami). The data regarding Banco Popular is included in Spain and Portugal (excluding natural gas and gas oil consumption and the emissions from those fuels and from the employees commuting which only includes the data for Spain). For comparative purposes, the 2016 data has been recalculated with the information regarding Popular. The Bank is currently working to recalculate the 2015 data including Banco Popular.
2. Only consumption of mains water is reported.
3. 2016 and 2017 figures do not include waste from Argentina and Brazilian sales network.
4. These emissions include those arising from the direct consumption of energy (natural gas and diesel) and correspond to Scope 1 defined by the standard GHG Protocol. For the calculation of these emissions, the **2017 DEFRA** emission factors have been applied for 2017 emissions and 2015 DEFRA for 2016.
5. These emissions include those resulting from electricity consumption and correspond to Scope 2 defined by the standard GHG Protocol. In 2016 and 2017, **IEA (International Energy Agency)** emission factors were used.
 - Indirect electricity emissions - **Market-based**: zero emissions have been considered for green electricity consumed in Germany, Brazil, Spain, UK, USA, which has meant a reduction of 147,965 tons of CO₂ equivalent in 2017 and 159,313 in 2016. For the rest of the electric power consumed has been applied the emission factor of the IEA corresponding to each country.
 - Indirect electricity emissions - **Location-based**: the emission factor of the IEA corresponding to each country has been applied for the totality of electrical energy consumed, regardless of its source of origin (renewable or non-renewable).
6. These emissions include the emissions generated by employees working at central services of each country as they commute to work in private car, group transport and or by train, and also includes the business travel of employees when travelling in plane or by car. Employee distribution by type of travel has been determined through surveys or other estimates. For the calculation of emissions resulting from the displacement of employees, the 2017 DEFRA conversion factors have been applied for 2017 emissions and 2015 DEFRA for 2016.
 - Employees commuting to work in **private car** has been estimated with regard solely to the number of parking bays available to employees at the head offices of each country and the consumption mix of petrol/diesel for the vehicle fleet of each country. There is no reported data for employee travel in private vehicles in Argentina, Poland Zachodni or the United Kingdom because this information is not available.
 - The displacement of employees in **group vehicles** has been calculated from the average distance travelled by vehicles rented by Santander Group for the group transport of their employees in the following countries: Brazil, Germany, Mexico, Poland Consumer, Portugal, Spain USA, and within central services in Spain (CGS).
 - There is no reported data for business **trips made by plane** from Poland Geoban or for **business travel** made by car from Poland Geoban and USA Consumer on account of the information not being available.
 - Emissions deriving from the use of courier services have not been included, nor have those generated by transport of cash or from any other kind of products or services arranged or indirectly generated by the financial services provided.

Further information

The sustainability report is one of the main tools used by the Group to report on sustainability issues. This is complemented by the sustainability section of its corporate website www.santander.com, as well as an online version of this report and others from the various countries where the Group operates.

International standards and response to legislation in preparing this report

Santander has relied on internationally recognized standards such as the Global Reporting Initiative (GRI) in the preparation of its successive Sustainability Reports. This report has been prepared in accordance with the GRI Standards: Comprehensive option.

Additionally, complementing the information included in the Consolidated Director's Report for the year 2017 of Banco Santander, S.A. and companies that make up the Santander Group -which forms part of the Auditor's Report and annual accounts for that year-, in this sustainability report, detailed information is provided to respond to the Royal Decree-Law 18/2017, which transposes to the Spanish legal order the Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information.

Scope

This report is the fifteenth annual document that the Santander Group has published, giving account of its sustainability commitments, and refers to the period from 1st January to 31st December 2017. This report has been verified by PricewaterhouseCoopers Auditores, S.L., and independent firm which also audited the Group's annual financial statements for the year

This report also covers the Group's relevant activities in the geographical areas in which it is present: Continental Europe, the United Kingdom, the United States and Latin America. The economic information is presented according to the definition used by the Santander Group for accounting purposes; the social and environmental information has been prepared according to the same definition, wherever this is available.

The material changes in the scope of consolidation of the information in 2017 compared to 2016 have been:

- the acquisition of Banco Popular, following an auction conducted by the Single Resolution Board and FROB in which Santander was selected as the successful bidder. As a part of the operation, that

included Santander's franchises in both Spain and Portugal, the Bank launched a capital increase of 7,072 million euros to cover the capital and provisions required to strengthen Banco Popular's balance sheet. In December 2017, Santander Totta concluded the process of acquisition and merger of the subsidiary of Banco Popular in Portugal, ceasing to exist as a legally autonomous entity.

- the acquisition of the retail and private banking businesses from Deutsche Bank Polska, S.A. by Banco Santander S.A. and its Polish subsidiary, Bank Zachodni WBK ("BZ WBK").
- the merge of Santander Río-Citibank Argentina, following the acquisition of the retail bank of Citibank Argentina the past year 2016.

When the limitations and scope of the information, and the changes in criteria applied with respect to the previous report are significant, these are reflected in the corresponding section of the report and the GRI Content Index.

Material aspects and stakeholder involvement

The Santander Group maintains active dialogue with its stakeholders in order to identify those issues that concern them. In addition, a survey was conducted to determine the most relevant aspects to be addressed in this sustainability report. The Group also closely monitors the questionnaires and recommendations of the main sustainability indexes (Dow Jones, FTSE4Good, etc.) and the various international sustainability initiatives to which the Group is party, such as the World Business Council for Sustainable Development (WBCSD).

In flagging and identifying content to be included in the report, and in addition to the materiality study conducted, the sustainability context of the Santander Group at both the global and local level was considered. Moreover, and insofar as there was sufficient available information, the impacts both within and outside the Bank were addressed.

The details of this process, as well as the results of the materiality study, can be found on pages 14 and 15 of this document.

GRI Content Index

■ GRI STANDARDS: GENERAL DISCLOSURES

GRI Standard	Disclosure	Page/Omission	Review
GRI 101: Foundation			
GRI 102: General disclosures			
Organizational profile	102-1 Name of the organization	P. 81	✓
	102-2 Activities, brands, products, and services	P. 2-3, 19 and 32-33	✓
	102-3 Location of headquarters	P. 81	✓
	102-4 Location of operations	P. 30 Annual report (p.43) Auditor´s report and annual consolidated accounts (p. 80-81)	✓
	102-5 Ownership and legal form	P. 36-37 and 82 and Table 29 in Key metrics (p. 56)	✓
	102-6 Markets served	P. 2 and 30 Annual report (p. 43)	✓
	102-7 Scale of the organization	P. 3, 23, 36 and Table 19 in Key metrics (p. 56) Annual report (p. 2)	✓
	102-8 Information on employees and other workers	P. 25-26 and Tables 1, 3 y 6 in Key metrics (p. 52-53)	✓ ¹
	102-9 Supply chain	P. 50-51	✓
	102-10 Significant changes to the organization and its supply chain	P. 58	✓
	102-11 Precautionary Principle or approach	P. 19 and 47 Auditor´s report and annual consolidated accounts - Annual corporate governance report (p. 385-389)	✓
	102-12 External initiatives	P. 13	✓
	102-13 Membership of associations	Santander participates in industry associations representing financial activity in the countries where it operates, as the AEB in the case of Spain	✓
Strategy	102-14 Statement from senior decision-maker	P. 8-11	✓
	102-15 Key impacts, risks, and opportunities	P. 12-17 and 20-21	✓
Ethics and integrity	102-16 Values, principles, standards, and norms of behavior	P. 20	✓
	102-17 Mechanisms for advice and concerns about ethics	P. 20	✓

GRI Standard	Disclosure	Page/Omission	Review
Governance	102-18 Governance structure	P. 18-19 Auditor's report and annual consolidated accounts - Annual corporate governance report (p. 346-361)	✓
	102-19 Delegating authority	P. 18-19	✓
	102-20 Executive-level responsibility for economic, environmental, and social topics	P. 18-19	✓
	102-21 Consulting stakeholders on economic, environmental, and social topics	P. 12 Auditor's report and annual consolidated accounts - Annual corporate governance report (p. 369, 380-381 and 386)	✓
	102-22 Composition of the highest governance body and its committees	P. 18-19 Annual report - Corporate governance report (p. 82-83) Auditor's report and annual consolidated accounts - Annual corporate governance report (p. 344-361)	✓
	102-23 Chair of the highest governance body	Annual report - Corporate governance report (p. 78 and 87) Auditor's report and Annual consolidated accounts - Annual corporate governance report (p. 344)	✓
	102-24 Nominating and selecting the highest governance body	Auditor's report and annual consolidated accounts - Annual corporate governance report (p. 344-347)	✓
	102-25 Conflicts of interest	Auditor's report and annual consolidated accounts - Annual corporate governance report (p. 352 and 364)	✓
	102-26 Role of highest governance body in setting purpose, values, and strategy	P. 18-19 Article 3 of the Regulations of the Board of Directors of Banco Santander, S.A	✓
	102-27 Collective knowledge of highest governance body	Auditor's report and annual consolidated accounts - Annual corporate governance report (p. 337 and 391)	✓
	102-28 Evaluating the highest governance body's performance	Auditor's report and annual consolidated accounts - Annual corporate governance report (p. 337 and 391)	✓
	102-29 Identifying and managing economic, environmental, and social impacts	P. 18-19 Auditor's report and annual consolidated accounts - Annual accounts (p. 43 and 280-281)	✓
	102-30 Effectiveness of risk management processes	P. 18-19, 34 and 47	✓
	102-31 Review of economic, environmental, and social topics	P. 18-19 Auditor's report and annual consolidated accounts - Annual accounts (p. 279-280)	✓
	102-32 Highest governance body's role in sustainability reporting	Santander's Board approved this report, related to 2017 period, on February 13rd 2018 (p. 19)	✓
	102-33 Communicating critical concerns	Auditor's report and annual consolidated accounts - Annual accounts (p. 392)	✓
	102-34 Nature and total number of critical concerns	P. 18-21	✓
	102-35 Remuneration policies	P. 27 Report of the committees - Report of the remuneration committee (p. 36-49)	✓
	102-36 Process for determining remuneration	P. 27 Report of the committees - Report of the remuneration committee (p. 34-36, 40-43, 58 and 66)	✓
	102-37 Stakeholders' involvement in remuneration	P. 27 Report of the committees - Report of the risk, supervision, regulation and compliance committee (p. 78)	✓
	102-38 Annual total compensation ratio	Confidential information	NO
	102-39 Percentage increase in annual total compensation ratio	Confidential information	NO

GRI Standard	Disclosure	Page/Omission	Review
Stakeholder engagement	102-40 List of stakeholder groups	P. 12 and 22-23	✓
	102-41 Collective bargaining agreements	P. 25	✓
	102-42 Identifying and selecting stakeholders	P. 12 and 14-15	✓
	102-43 Approach to stakeholder engagement	P. 12, 35 and 58 and Table 17 in Key metrics (p. 56)	✓
	102-44 Key topics and concerns raised	P. 14-17, 35 and Table 17 in Key metrics (p. 56)	✓
Reporting practice	102-45 Entities included in the consolidated financial statements	P. 58 Auditor's report and annual consolidated accounts - Appendices (p. 230-244)	✓
	102-46 Defining report content and topic Boundaries	P. 14-15 and 58	✓
	102-47 List of material topics	P. 15	✓
	102-48 Restatements of information	P. 58	✓
	102-49 Changes in reporting	P. 58	✓
	102-50 Reporting period	P. 58	✓
	102-51 Date of most recent report	P. 58	✓
	102-52 Reporting cycle	P. 58	✓
	102-53 Contact point for questions regarding the report	P. 82	✓
	102-54 Claims of reporting in accordance with the GRI Standards	P. 58	✓
	102-55 GRI content index	GRI Content Index (p. 59-78)	✓
	102-56 External assurance	P. 58 Independent review (p. 79-80)	✓

■ GRI STANDARDS: TOPIC-SPECIFIC DISCLOSURES

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review		
ECONOMIC STANDARDS								
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (P. 62-78)	-	✓		
			103-2 The management approach and its components	P. 2-3 and column "Page/Omission" of the GRI 201: Economic Performance" (p. 62)	-	✓		
			103-3 Evaluation of the management approach	P. 2-3 and column "Page/Omission" of the GRI 201: Economic Performance" (p. 62)	-	✓		
	201-1 Direct economic value generated and distributed	GRI 201: Economic Performance			€ million	2017	Group	✓
					Economic value generated ¹	48,674		
					Gross income	48,355		
					Net loss on discontinued operations	0		
					Gains/(losses) on disposal of assets not classified as non-current held for sale	522		
					Gains/(losses) on disposal of assets not classified as discontinued operations	-203		
					Economic value distributed	27,464		
					Dividends ³	2,997		
					Other administrative expenses (except taxes)	8,353		
					Personnel expenses	12,047		
		Income tax and other taxes ²	3,884					
		CSR investment	183					
		Economic value retained (economic value generated less economic value distributed)	21,210					
		1. Gross income plus net gains on asset disposals.						
		2. Only includes income tax on profits accrued and taxes recognised during the period. The chapter on Community Investment provides additional information on the taxes paid.						
		3. In addition to the €2,898 million, shares valued at €99 million were earmarked for distribution to shareholders under the shareholder remuneration system (Santander Dividendo Elección / scrip dividend), approved at the General Shareholders' Meeting of 7 April 2017. Under the programme, the Bank offers shareholders the possibility of receiving an amount equivalent to the second interim dividend for 2017 either in cash or in newly-issued shares.						
		201-2 Financial implications and other risks and opportunities due to climate change	P. 17, 19, 21 and 47		Group	✓ ²		
		201-3 Defined benefit plan obligations and other retirement plans	The liability for provisions for pensions and similar obligations at 2017 year-end amounted to EUR 6,345 million. Endowments and contributions to the pension funds in the 2017 financial year have amounted to EUR 359 million. The detail may be consulted in Auditor's report and annual consolidated accounts - annual consolidated accounts (p. 122)			Group	✓	
		201-4 Financial assistance received from government	The Banks has not received significant subsidies or public aids during 2017. The detail may be consulted in Auditor's report and annual consolidated accounts - Appendix (p. 251)			Group	✓	

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
Market Presence						
Attracting and retaining talent / Diversity / Community investment	Internal	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (P. 62-78)	-	✓
			103-2 The management approach and its components	P. 24 and column "Page/Omission" of the GRI 202: Market presence" (p. 62)	-	✓
			103-3 Evaluation of the management approach	P. 24 and column "Page/Omission" of the GRI 202: Market presence" (p. 62)	-	✓
		GRI 202: Market Presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Table 12 in Key metrics (P. 54)	Group	✓ ³
			202-2 Proportion of senior management hired from the local community	The Group Corporate Human Resources Model aims to attract and retain the best professionals in the countries in which it operates. Table 4 in Key metrics (pág. 53)	Group excluding USA	✓
Indirect Economic Impact						
Community investment	External	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (P. 62-78)	-	✓
			103-2 The management approach and its components	P. 38-43	-	✓
			103-3 Evaluation of the management approach	P. 38-43	-	✓
		GRI 203: Indirect Economic Impact	203-1 Infrastructure investments and services supported	P. 39, 40 y 42	Group	✓
			203-2 Significant indirect economic impacts	P. 39, 40 y 42	Group	✓
Procurement Practices						
Ethical behaviour and risk management	External	GRI 103: Enfoque de gestión	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (P. 62-78)	-	✓
			103-2 The management approach and its components	P. 50	-	✓
			103-3 Evaluation of the management approach	P. 50	-	✓
		GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	P. 50	Group	✓ ⁸

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review	
Anti-corruption							
Ethical behaviour and risk management / Compliance and adapting to regulatory changes / Corporate governance-transparency	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (P. 62-78)	-	✓	
			103-2 The management approach and its components	P. 20	-	✓	
			103-3 Evaluation of the management approach	P. 20	-	✓	
		GRI 205: Anti-corruption	205-1 Operations assessed for risks related to corruption	P. 20	Group	✓	
			205-2 Communication and training about anti-corruption policies and procedures	P. 20	Group	✓	
			205-3 Confirmed incidents of corruption and actions taken	Pág. 25	Group	✓ ⁶	
Anti-competitive Behavior							
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓	
			103-2 The management approach and its components	P. 20 and column "Page/ Omission" of the GRI 206: Anti-competitive Behaviour (p. 64)	-	✓	
			103-3 Evaluation of the management approach	P. 20 and column "Page/ Omission" of the GRI 206: Anti-competitive Behaviour (p. 64)	-	✓	
		GRI 206: Anti-competitive Behaviour	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	The National Commission on Markets and Competition (or CNMC by its Spanish acronym) issued a sanction on 14 February 2018 affecting four Spanish banks. In the case of the Banco Santander, the amount involved would be €23.9 million. Banco Santander will appeal the sanction through administrative channels. Further information on litigation and other Group contingencies can be found in the Auditor's Report and Annual Accounts (p. 130-137).	Group	✓ ⁵	
ENVIRONMENTAL STANDARDS							
Materials							
Internal environmental footprint	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓	
			103-2 The management approach and its components	P. 49	-	✓	
			103-3 Evaluation of the management approach	P. 49	-	✓	
		GRI 301: Materials	301-1 Materials used by weight or volume	P. 49 and Table 20 in Key metrics (p. 57)	Group	✓ ⁴	
			301-2 Recycled input materials used	The percentage of the environmentally-friendly paper consumption with respect to the total consumption is 85%. This percentage includes both recycled and certified paper	Group	✓ ⁴	
			301-3 Reclaimed products and their packaging materials	Not applicable due to the type of Group financial activity	Group	NO	

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
Energy						
Internal environmental footprint	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	P. 49	-	✓
			103-3 Evaluation of the management approach	P. 49	-	✓
		GRI 302: Energy	302-1 Energy consumption within the organization	P. 49 and Table 20 in Key metrics (p. 57)	Group	✓ ⁴
			302-2 Energy consumption outside of the organization	Not available	Group	NO
			302-3 Energy intensity	Table 20 in Key metrics (p. 57)	Group	✓ ⁴
			302-4 Reduction of energy consumption	An specific analysis of cause and effect relation for the implemented measures and of the obtained reduction is not available	Group	NO
302-5 Reductions in energy requirements of products and services	Not applicable due to the type of Group financial activity	Group	NO			
Water						
Internal environmental footprint	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	P. 49	-	✓
			103-3 Evaluation of the management approach	P. 49	-	✓
		GRI 303: Water	303-1 Water withdrawal by source	P. 49 and Table 20 in Key metrics (p. 57)	Group	✓ ⁴
			303-2 Water sources significantly affected by withdrawal of water	Not applicable due to the type of Group financial activity	Group	NO
			303-3 Water recycled and reused	Not applicable due to the type of Group financial activity	Group	NO

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
Biodiversity						
Not material	Not applicable	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	Not material	-	NO
			103-2 The management approach and its components	Not material	-	NO
			103-3 Evaluation of the management approach	Not material	-	NO
		GRI 304: Biodiversity	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not material	Group	NO
			304-2 Significant impacts of activities, products, and services on biodiversity	Not material	Group	NO
			304-3 Habitats protected or restored	Not material	Group	NO
			304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not material	Group	NO
Emissions						
Internal environmental footprint	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	P. 49	-	✓
			103-3 Evaluation of the management approach	P. 49	-	✓
		GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	P. 49 and Table 20 in Key metrics (p. 57)	Group	✓ ⁴
			305-2 Energy indirect (Scope 2) GHG emissions	P. 49 and Table 20 in Key metrics (p. 57)	Group	✓ ⁴
			305-3 Other indirect (Scope 3) GHG emissions	P. 49 and Table 20 in Key metrics (p. 57)	Group	✓ ⁴
			305-4 GHG emissions intensity	P. 49 and Table 20 in Key metrics (p. 57)	Group	✓ ⁴
			305-5 Reduction of GHG emissions	An specific analysis of cause and effect relation for the implemented measures and of the obtained reduction is not available	Group	NO
			305-6 Emissions of ozone-depleting substances (ODS)	Not applicable due to the type of Group financial activity	Group	NO
			305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Not applicable due to the type of Group financial activity	Group	NO

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
Effluents and Waste						
Internal environmental footprint	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	P. 49	-	✓
			103-3 Evaluation of the management approach	P. 49	-	✓
		GRI 306: Effluents and Waste	306-1 Water discharge by quality and destination	Not applicable due to the type of Group financial activity	Group	NO
			306-2 Waste by type and disposal method	P. 49 and Table 20 in Key metrics (p. 57)	Group	✓ ⁴
			306-3 Significant spills	Not applicable due to the type of Group financial activity	Group	NO
			306-4 Transport of hazardous waste	Not applicable due to the type of Group financial activity	Group	NO
306-5 Water bodies affected by water discharges and/or runoff	Not applicable due to the type of Group financial activity	Group	NO			
Environmental Compliance						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	P. 20	-	✓
			103-3 Evaluation of the management approach	P. 20	-	✓
		GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	The Bank has received a non-firm sanction of this type in Brazil, which is currently being appealed administratively. Additionally, information on the litigation and other contingencies of the Group can be found in the Auditor’s report and Annual consolidated accounts - Annual accounts (p. 43, 73, and 130-137)	Group	✓ ⁵
Supplier Environmental Assessment						
Ethical behaviour and risk management	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	P. 50	-	✓
			103-3 Evaluation of the management approach	P. 50	-	✓
		GRI 308: Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	P. 50	Group	✓ ^{8 9}
			308-2 Negative environmental impacts in the supply chain and actions taken	P. 50	Group	✓ ^{8 9}

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
SOCIAL STANDARDS						
Employment						
Attracting and retaining talent / Diversity	Internal	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	P. 25	-	✓
			103-3 Evaluation of the management approach	P. 25	-	✓
		GRI 401: Employment	401-1 New employee hires and employee turnover	P. 25 and Tables 2, 7 and 8 in Key metrics (p. 52-54)	Group	✓
			401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits detailed in p.27-28 are regarding only full-time employees	Group	✓
			401-3 Parental leave	Not available	Group	NO
Labor/Management Relations						
Attracting and retaining talent / Diversity	Internal	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	Column "Page/Omission" of the GRI 402: Labor/Management relations" (p. 68)	-	✓
			103-3 Evaluation of the management approach	Column "Page/Omission" of the GRI 402: Labor/Management relations" (p. 68)	-	✓
		GRI 402: Labor/ Management relations	402-1 Minimum notice periods regarding operational changes	Santander Group has not established any minimum period to give prior notice relating to organisational changes different from those required by law in each country	Group	✓
		Occupational Health and Safety				
Attracting and retaining talent / Diversity	Internal	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	P. 29 y column "Page/Omission" of the GRI 403: Occupational Safe and Safety (p. 68)	-	✓
			103-3 Evaluation of the management approach	P. 29 y column "Page/Omission" of the GRI 403: Occupational Safe and Safety (p. 68)	-	✓
		GRI 403: Occupational Health and Safety	403-1 Workers representation in formal joint management-worker health and safety committees	In Banco Santander S.A, the percentage of workforce represented in the Health and Safety Committee in 100%	Banco Santander S.A. and SCF	✓
			403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	P.29 and Tables 13, 14 and 15 in Key metrics (p. 55)	Group	✓ ^{1 10}
			403-3 Workers with high incidence or high risk of diseases related to their occupation	There have not been identified work posts with high risk of disease	Group	NO
			403-4 Health and safety topics covered in formal agreements with trade unions	Formal agreements with unions take into account issues concerning the health of workers and occupational health and safety, such as health monitoring and check-ups, both periodic for all workers and for workers returning from prolonged sick leave	Banco Santander S.A. and SCF	✓

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
Training and Education						
Attracting and retaining talent / Diversity	Internal	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	P. 25 and 27. Column "Page/Omission" of the GRI 404: Training and education (p. 69)	-	✓
			103-3 Evaluation of the management approach	P. 25 and 27. Column "Page/Omission" of the GRI 404: Training and education (p. 69)	-	✓
		GRI 404: Training and Education	404-1 Average hours of training per year per employee	P. 27 and Tables 9,10 and 11 in Key metrics (p. 54)	Group	✓
			404-2 Programs for upgrading employee skills and transition assistance programs	Banco Santander in Spain offers programmes for skills management and lifelong learning that support the employability of their employees once they have finished their carrers or have been affected by collective redundancies. P. 25 and 27-28 and Table 9 in Key metrics (p. 54)	Banco Santander S.A.	✓
			404-3 Percentage of employees receiving regular performance and career development reviews	P. 25 Regular performance and career development reviews are received by the 100% of the employees	Group	✓
Diversity and Equal Opportunity						
Attracting and retaining talent / Diversity / Incentives tied to ESG criteria	Internal	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	P. 26	-	✓
			103-3 Evaluation of the management approach	P. 26	-	✓
		GRI 405: Diversity and Equal Opportunities	405-1 Diversity of governance bodies and employees	P. 18, 26 and Tables 1, 3, and 5 in Key metrics (p. 52 and 53)	Group	✓
			405-2 Ratio of basic salary and remuneration of women to men	Confidential information	Group	NO
Non-discrimination						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	P. 25	-	✓
			103-3 Evaluation of the management approach	P. 25	-	✓
		GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	P. 25	Group	✓ ⁶

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
Freedom of Association and Collective Bargaining						
Not material	Not applicable	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	Not material	-	✓
			103-2 The management approach and its components	Not material	-	✓
			103-3 Evaluation of the management approach	Not material	-	✓
		GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Not material	Group	NO
Child Labor						
Not material	Not applicable	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	Not material	-	✓
			103-2 The management approach and its components	Not material	-	✓
			103-3 Evaluation of the management approach	Not material	-	✓
		GRI 408: Child Labor	408-1 Operations and suppliers at significant risk for incidents of child labor	Not material	Group	NO
Forced or Compulsory Labor						
Not material	Not applicable	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	Not material	-	✓
			103-2 The management approach and its components	Not material	-	✓
			103-3 Evaluation of the management approach	Not material	-	✓
		GRI 409: Forced or Compulsory Labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Not material	Group	NO
Security Practices						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	Column "Page/Omission" of the GRI 410: Security Practices (p. 70)	-	✓
			103-3 Evaluation of the management approach	Column "Page/Omission" of the GRI 410: Security Practices (p. 70)	-	✓
		GRI 410: Security Practices	410-1 Security personnel trained in human rights policies or procedures	Santander requires to its Safety Services suppliers during the hiring process compliance with Human Rights Regulations	Banco Santander S.A.	✓

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
Rights of Indigenous Peoples						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	External	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	P. 47 and Column "Page/Omission" of the GRI 411: Rights of Indigenous People (p. 71)	-	✓
			103-3 Evaluation of the management approach	P. 47 and Column "Page/Omission" of the GRI 411: Rights of Indigenous People (p. 71)	-	✓
		GRI 411: Rights of Indigenous People	411-1 Incidents of violations involving rights of indigenous people	Banco Santander ensures with an analysis of social and environmental risks within the framework of Equator Principles that there has not been any violation involving rights of indigenous people	Group	✓ ²
Human Rights Assessment						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	External	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	Column "Page/Omission" of the GRI 412: Human Rights assessment (p. 71)	-	✓
			103-3 Evaluation of the management approach	Column "Page/Omission" of the GRI 412: Human Rights assessment (p. 71)	-	✓
		GRI 412: Human Rights Assessment	412-1 Operations that have been subject to human rights reviews or impact assessments	In the due diligence processes prior to the formalization of financing agreements, or of any other nature and within the scope of the Equator Principles, Grupo Santander undertakes, as part of its analysis process, to evaluate the policies and practices in human rights matter of their counterparts	Group	✓ ²
			412-2 Employee training on human rights policies or procedures	Not available	Group	NO
			412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	In the due diligence processes prior to the formalization of financing agreements, or of any other nature and within the scope of the Equator Principles, Grupo Santander undertakes, as part of its analysis process, to evaluate the policies and practices on the human rights of their counterparts. As a fundamental principle of sustainability in purchasing management in the main countries in which the Bank operates, most of the contracts include a declaration by which the supplier commits to respect and comply with the 10 Principles of the United Nations Global Compact, to which the Group has been attached since 2002		✓ ²

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
Local Communities						
Community investment	External	GRI 103: Enfoque de gestión	103-1 Explicación del tema material y su cobertura	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)		✓
			103-2 Enfoque de gestión y sus componentes	P. 32-33 and 38-43		✓
			103-3 Evaluación del enfoque de gestión	P. 32-33 and 38-43		✓
		GRI 413: Local Communities	413-1 Operations with local community engagement, impact assessments, and development programs	The Santander Group has several programmes in its ten main countries aim to encourage development and participation of local communities, in which it is carried out an assessment on people helped, scholarships given through agreement with Universities, among others. Moreover, in the last years the Group has developed different products and services offering social and/or environmental added value adapted to each country where Santander develops its activities (p. 32-33 and 40-42)	Group	✓ ¹²
			413-2 Operations with significant actual and potential negative impacts on local communities	Not available	Group	NO
Supplier Social Assessment						
Control y gestión de riesgos, ética y cumplimiento	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	P. 50	-	✓
			103-3 Evaluation of the management approach	P. 50	-	✓
		GRI 414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	P. 50	Group	✓ ^{8,9}
			414-2 Negative social impacts in the supply chain and actions taken	P. 50	Group	✓ ^{8,9}

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
Public Policy						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	Pág. 20 and column "Page/Omission" of the GRI 415: Public Policy (p. 73)	-	✓
			103-3 Evaluation of the management approach	Pág. 20 and column "Page/Omission" of the GRI 415: Public Policy (p. 73)	-	✓
		GRI 415: Public Policy	415-1 Political contributions	The vinculation, membership or collaboration with political parties or with other kind of entities, institutions or associations with public purposes, as well as contributions or services to them, should be done in a way that can assure the personal character and that avoids any involvement of the Group, as indicated in Santander Group General Code of Conduct	Group	✓ ²
Customer Health Safety						
Products and services that are transparent and fair		GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	P. 34	-	✓
			103-3 Evaluation of the management approach	P. 34	-	✓
		GRI 416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	The Commercialisation Committee evaluates potential impact of all products and services, previously they are launched onto the market. These impacts include, among others, clients security and compatibility with other products (p. 34)	Group	✓
			416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	The Bank has not received final sanctions for this concept. In addition, information on litigation and other Group contingencies can be found in Auditors' report and annual consolidated accounts - annual consolidated accounts (p. 130-137)		

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
Marketing and Labeling						
Products and services that are transparent and fair	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	✓
			103-2 The management approach and its components	P. 34	-	✓
			103-3 Evaluation of the management approach	P. 34	-	✓
	Internal and external	GRI 417: Marketing and Labeling	417-1 Requirements for product and service information and labeling	The Commercialisation Committee evaluates potential impact of all products and services, previously they are launched onto the market. These impacts include, among others, clients security and compatibility with other products (p. 34). In addition, the Bank is member of the Association for Commercial Self-Regulation (Autocontrol) assuming the ethical commitment to be responsible regarding the freedom of commercial communication	Group	✓ ⁷
			417-2 Incidents of non-compliance concerning product and service information and labeling	The Bank has reached an agreement in Brazil for the sum of €172,000, in relation to a case of this type. In addition, in Spain it has been received a sanction of this type. That sanction is not final and currently it has been appealed by contentious-administrative means. In the USA, in relation to an investigation into an alleged breach of state regulations on consumer protection, an agreement has been reached between Santander Consumer USA and the states of Massachusetts and Delaware for the sum of \$25.9 million. Moreover, the information regarding litigation and the Group's other contingencies is provided in the auditor's report and annual accounts (p. 130-137)	Group	✓ ⁵
			417-3 Incidents of non-compliance concerning marketing communications	In Spain, the Bank forms part of the Spanish Advertising Association (AEA). It is also a member of the Association for the Self-regulation of Commercial Communication, which in turn is a member of the European Advertising Standards Alliance. Therefore, the Bank assumes the ethical obligation of responsibly exercising the freedom of commercial communication and contributes to strengthening advertising self-regulation as a way of ensuring that consumers' and competitors' rights are respected. The Bank has not received final sanctions for this concept. Information on litigation and other Group contingencies can be found in Auditors' report and annual consolidated accounts (p. 130-137)	Group	✓ ⁵

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
Customer Privacy						
Measures taken for customer satisfaction	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-78)	-	√
			103-2 The management approach and its components	P. 34	-	√
			103-3 Evaluation of the management approach	P. 34	-	√
		GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	The Bank has not received final sanctions for this concept. In addition, information on litigation and other Group contingencies can be found in Auditors' report and annual consolidated accounts - annual consolidated accounts (p. 130-137)	Group	√ ⁵
Socioeconomic Compliance						
Products and services that are transparent and fair / Ethical behaviour and risk management	Internal and external	GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	P. 14-15 and column "Material aspect boundary" of GRI Content Index (p. 62-76)	-	√
			103-2 The management approach and its components	Pág. 20 and column "Page/Omission" of the GRI 419: Socioeconomic Compliance (p. 75)	-	√
			103-3 Evaluation of the management approach	Pág. 20 and column "Page/Omission" of the GRI 419: Socioeconomic Compliance (p. 75)	-	√
		GRI 419: Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	The Bank has not received final sanctions for this concept. In addition, information on litigation and other Group contingencies can be found in Auditors' report and annual consolidated accounts - annual accounts (p. 130-137)	Group	√ ⁵

■ GRI STANDARDS - FINANCIAL SERVICES SECTOR DISCLOSURES

Identified material aspects	Material aspect boundary	G4 Standard	Disclosure	Page/Omission	Scope	Review
FINANCIAL SERVICES SECTOR DISCLOSURES						
Product Portfolio						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes / Products and services that are transparent and fair / Products and services offering social and environmental added value	Internal and external	FS1	Policies with specific environmental and social components applied to business lines	P. 19	Group	✓
		FS2	Procedures for assign and screening environmental and social risks in business lines	P. 19, 34 and 47	Group	✓
		FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements of transactions	P. 19, 34 and 47	Group	✓
		FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	To raise awareness and transmit the policies content, the Bank has continued with its employee training and awareness campaigns. The latest was a video tutorial explaining the process of adaptation for the sector-specific policies and involving those from the Bank who are ultimately responsible for this area	Group	✓
		FS5	Interactions with clients/ investees/business partners regarding environmental and social risks and opportunities	P. 13 and 37	Group	✓
		FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/ large) and by sector	P. 30 Auditor's report and annual consolidated accounts - Management report (p. 102-103, 184, 197-202 and 257)	Group	✓
		FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	P. 32-33	Group	✓
		FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	P. 33 and 48	Group	✓

Identified material aspects	Material aspect boundary	G4 Standard	Disclosure	Page/Omission	Scope	Review
Audit						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes	Internal and external	FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	The Group's Internal Audit Area conducts a bi-annual review of the sustainability function to assess, among other aspects, the degree of compliance with the Social and Environmental Responsibility Policies, which include both the revision of the Equator Principles and other additional procedures of risk assessment on specific sectors. The last one was carried out in 2016	Group	✓
Active ownership						
Ethical behaviour and risk management / Compliance and adapting to regulatory changes / Products and services that are transparent and fair / Products and services offering social and environmental added value	Internal	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	P. 47	Group	✓ ¹¹
		FS11	Percentage of assets subject to positive and negative environmental or social screening	P. 47	Group	✓ ¹¹
		FS12	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization hold the right to vote shares or advises on voting	The Santander Group has no voting policies relating to social and/or environmental matters for entities over which acts as an advisor. The Santander Employees Pension Fund does have a policy of formal vote in relation to social and environmental aspects, for shareholder meetings of the entities over which it has voting rights	Group	✓
		FS13	Access points in low-populated or economically disadvantaged areas by type	P. 32	Group	✓
		FS14	Initiatives to improve access to financial services for disadvantaged people	P. 31 and Table 16 in Key metrics (p. 55)	Group	✓
		FS15	Policies for the fair design and sale of financial products and services	P. 34	Group	✓
	External	FS16	Initiatives to enhance financial literacy by type of beneficiary	P. 42	Group	✓

✓ Reviewed content according to described scope. Report on independent limited assurance is included in p. 79-80 of the Sustainability Report.

NO Non reviewed content.

1. Only information regarding owned employees is disclosed.

2. Only qualitative information is disclosed.

3. Not broken down by gender.

4. The scope and limitations of this indicator are described on p. 57.

5. Information is provided on accounting provisions for claims of any type and over €60,000.

6. Information is provided on the total number of complaints channels, for any reason.

7. Information about each type of products and services is not detailed.

8. Data refers exclusively to centralised purchases data in Aquánima.

9. Only total amount of approved suppliers is included.

10. Review scope does not include Brasil data.

11. Information is only provided on the number of project finance deals of Santander's Bank, which have been analysed regarding social and environmental risks in Equator Principles' frame.

12. Information is provided on programmes and their direct impacts of the ten main countries of the Group, instead on centers.



More information
about GRI
standards



Free translation from the original in Spanish, in the event of a discrepancy, the Spanish language version prevails

INDEPENDENT LIMITED ASSURANCE REPORT OF THE SUSTAINABILITY REPORT

To the Management of Banco Santander, S.A.:

We have carried out our work to provide limited assurance on the sustainability indicators contained in the "GRI Content Index" of the section "Further information" of the 2017 Sustainability Report (hereinafter, sustainability indicators) of Banco Santander S.A. and its subsidiaries (hereinafter, Banco Santander) for the financial year ended 31st December 2017, prepared in accordance with the content proposed in the GRI Standards of the Global Reporting Initiative (GRI) (hereinafter GRI Standards) and the Financial Services Sector Disclosures of the GRI Guidelines version G4 (hereinafter Financial Services Sector Disclosures).

Responsibility of Management

The Management of Banco Santander is responsible for the preparation, contents and presentation of the 2017 Sustainability Report in accordance with the Comprehensive option of the GRI Standards and Financial Services Sector Disclosures. Management's responsibility includes establishing, implementing and maintaining the internal controls required to ensure that the sustainability indicators are free from any material misstatement due to fraud or error.

The Management of Banco Santander is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the sustainability indicators is obtained.

Our responsibility

Our responsibility is to issue a limited assurance report based on the procedures that we have carried out and the evidence obtained. Our limited assurance engagement was done in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000 Reviewed) "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

The scope of a limited assurance engagement is substantially less extensive than that of a reasonable assurance engagement and thus, less security is provided.

The procedures that we have carried out are based on our professional judgment and have included consultations, observation of processes, document inspection, analytical procedures and random sampling tests. The general procedures employed are described below:

- Meetings with Banco Santander's personnel from various departments who have been involved in the preparation of the 2017 Sustainability Report of Banco Santander.

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Inscrita en el R.D.A.C. con el número S0242 - C.I.F. B-79 031290



- Analysis of the procedures used for obtaining and validating the data presented in the sustainability indicators.
- Analysis of Banco Santander's sustainability indicators adaptation to the requirements established by the the GRI Standards for the preparation of sustainability reports and to the Financial Services Sector Disclosures.
- Verification, through random sampling tests revisions, internal control tests and substantive tests on the information used to determine Banco Santander's sustainability indicators. We have also verified whether they have been appropriately compiled from the data provided by Banco Santander's sources of information.

Our Independence and Quality Control

We have fulfilled our work in accordance with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which are based on basic principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and thus employs an exhaustive quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards, statutory laws and applicable regulations.

Limited Assurance Conclusions

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that Banco Santander's sustainability indicators, for the financial year ending 31st December 2017, contain significant errors or have not been prepared, in all of their significant matters, in accordance with the GRI Standards and the Financial Services Sector Disclosures.

Use and distribution

Our report is only issued to the Management of Banco Santander, in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than the Management of Banco Santander.

PricewaterhouseCoopers Auditores S.L.

A handwritten signature in blue ink, appearing to read 'Pablo Bascones', written over a horizontal line.

Pablo Bascones

16th February 2018

General information

Banco Santander, S.A.

The parent group 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 of the Finance Section of the Government of the Province of Santander, on folio 157 and following, entry number 859. The Bank's By-laws were amended to conform with current legislation regarding limited liability companies. The amendment was registered on 8 June 1992 and entered into the Mercantile Registry of Santander (volume 448, general section, folio 1, page 1,960, first inscription of adaptation).

The Bank is also recorded in the Special Registry of Banks and Bankers 0049, and its fiscal identification number is A-390000013. It is a member of the Bank Deposit Guarantee Fund.

Registered office

The Corporate By-laws and additional public information regarding the Company may be inspected at its registered office at Paseo de la Pereda, numbers 9 to 12, Santander.

Corporate center

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Ombudsman

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All customers, shareholders and the general public can use Santander's official social network channels in all the countries in which the Bank operates.



