

Responsible banking

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This document is an extract of the 2018 annual report (the "2018 report") of Banco Santander, S.A. ("Santander") and, therefore, must always be read in conjunction with the full 2018 report, including the important information contained in the backcover, index and pages 2 and 3 of the 2018 report. The full 2018 report is available at our corporate website: www.santander.com. Please also note that links to other parts of the full 2018 report, including the glossary, will not work. Our 2018 report is provided in Spanish and English versions. In case of discrepancy the Spanish version prevails.

Our approach

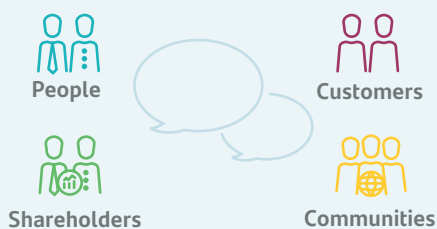
“ By delivering on our purpose, and helping people and businesses prosper, we grow as a business and we can help society address its challenges too. Economic progress and social progress go together. The value created by our business is shared – to the benefit of all.

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

Ana Botín



By being responsible, we build loyalty



... Santander treats me responsibly

In our day-to-day businesses, we ensure that we do not simply meet our legal and regulatory requirements, but we exceed people's expectations by being Simple, Personal and Fair in all we do.

I'm loyal to Santander because...

... Santander acts responsibly in society

We focus on areas where, as a Group, our activity can have a major impact on helping people and businesses prosper.

Helping people and businesses prosper - our performance



People

EUR 11,865 million
Personnel costs^A

96%
of employees with
permanent contracts

10.4 years
Average length of
employment



Customers

EUR 882,921 million
Loans outstanding (net)

EUR 487,695 million
to households

EUR 22,659 million
to public administrations

>273,000
Microbusinesses
supported

EUR 301,975 million
to companies

EUR 70,592 million
to others^B



Shareholders

EUR 3,724 million
Total shareholder
remuneration^C

EUR 64,508 million
Stock market value at
year-end 2018, largest
bank in the euro zone

EUR 0.23
Dividend per share,
4.5%^C vs 2017



Communities

EUR 179 million
Community investment

EUR 121 million
Investment in universities

EUR 58 million
Investment in programmes and
projects to support communities



Suppliers

EUR 3,619 million
Payments to suppliers^D

10,628
Approved suppliers through our
global procurement model

95%
Local group's suppliers



Tax contribution

EUR 16,658 million
Taxes paid and collected
by Santander

EUR 3,458 million
Corporate income tax

EUR 3,598 million
Other own taxes paid,
including social contributions

A. From Group consolidated financial statements.

B. Including financial business activities and customer prepayments.

C. Subject to the approval of the total dividend against the 2018 results by 2019 Annual General Meeting.

D. Data refers exclusively to purchases negotiated by Aquánima.

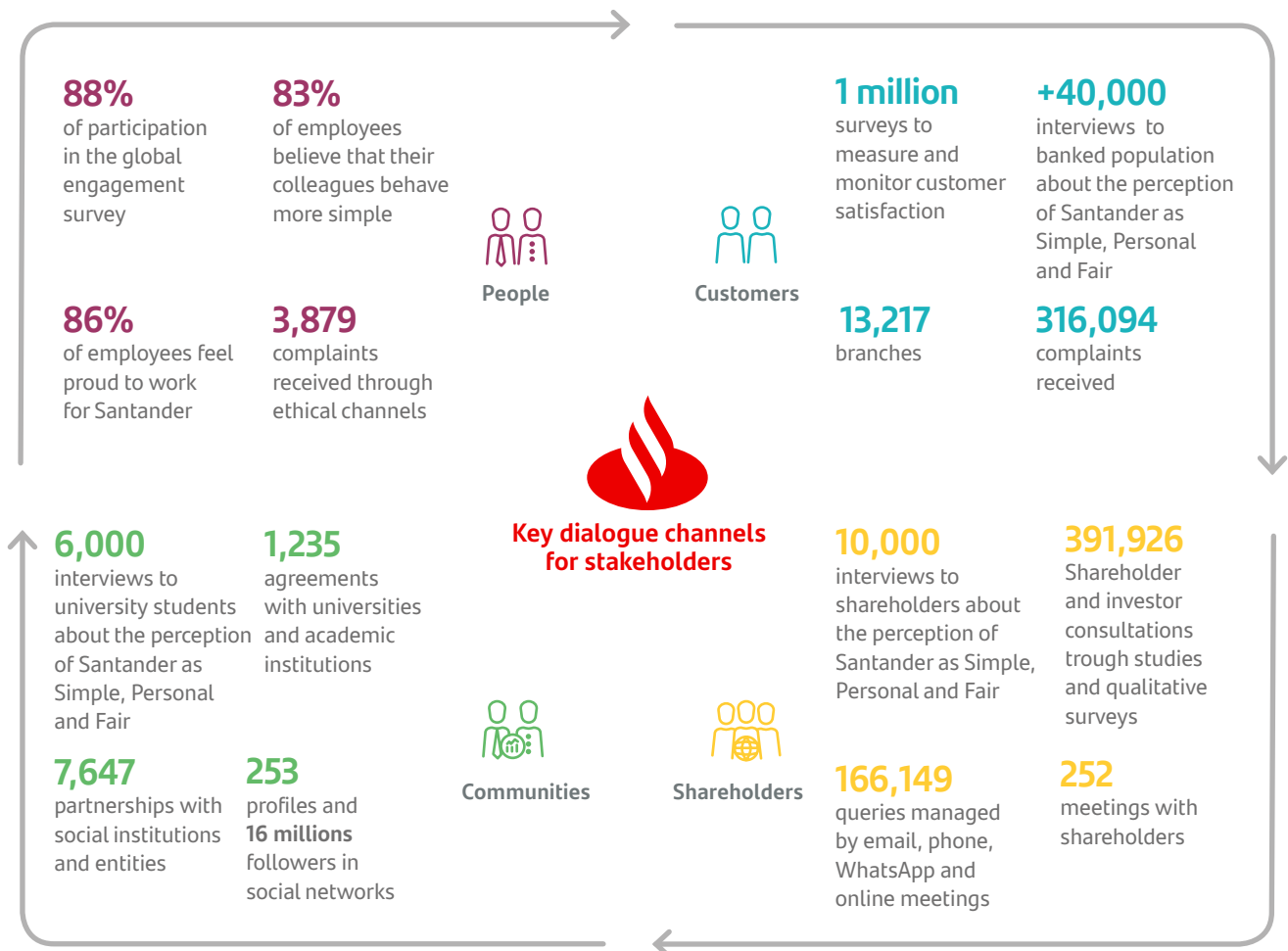
What our stakeholders tell us

Analysing, assessing and responding to the opinions and concerns of all our stakeholders is a fundamental part of our effort to operate as a responsible bank and make all we do Simple, Personal and Fair (SPF).

Engagement with all stakeholders helps to build value

Earning and keeping people's loyalty is the key to creating lasting value. To do this, we must understand the concerns of all our stakeholders. By listening to their opinions, and measuring their perceptions of the Group, we not only identify issues, we also spot opportunities.

In 2018 we conducted a survey to identify what our employees, customers and society think a responsible bank should do. These findings helped us as we analysed what the leading environmental, social and governance analysts are telling us.



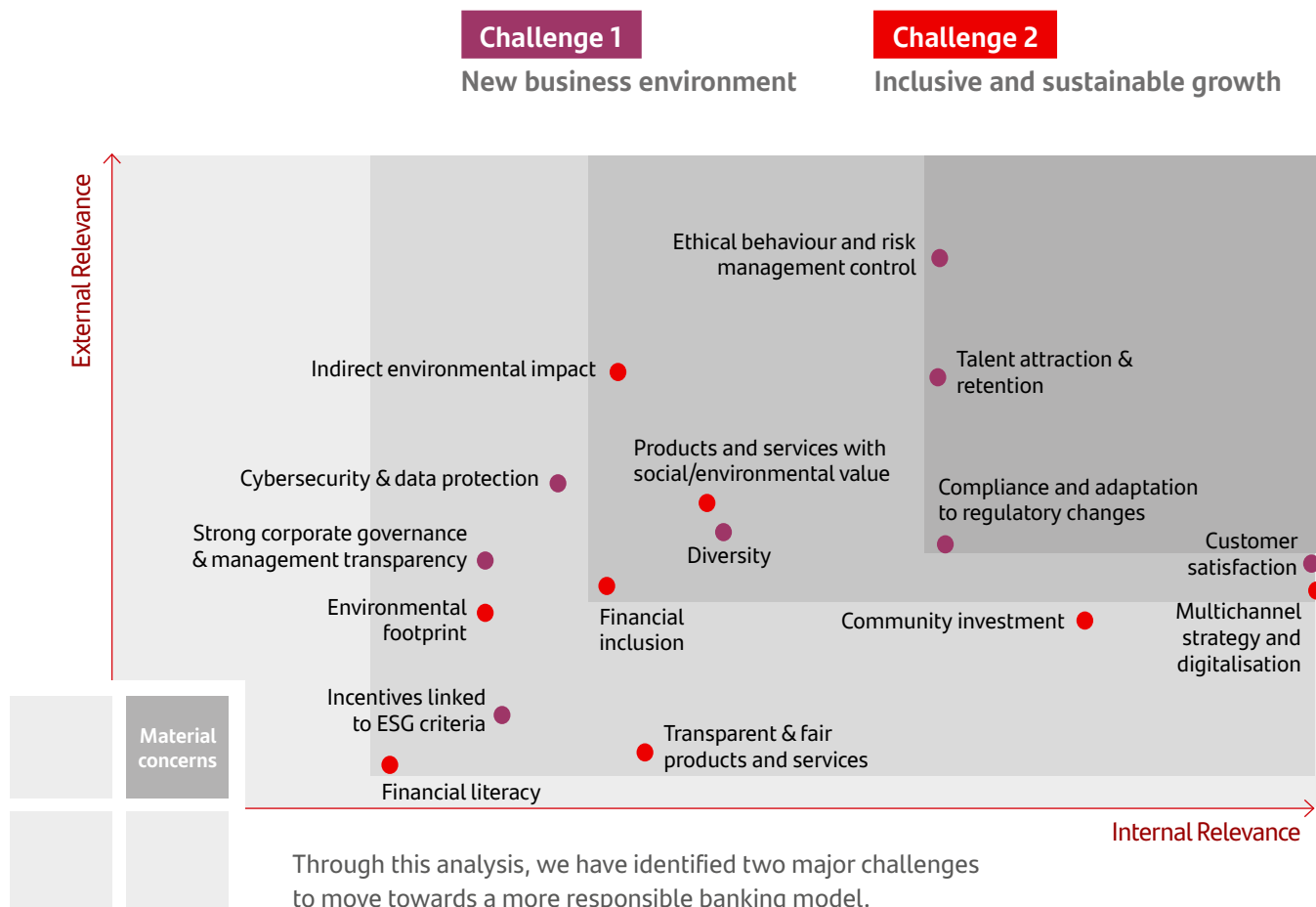
Identifying the issues that matter

Santander also regularly analyses the most relevant social, environmental and ethical behaviour issues through its materiality assessment. This systematic study is conducted across the whole Group's value chain on an annual basis, and consists of a far-reaching quantitative and qualitative analysis that uses information from both internal and external sources.

The materiality matrix shows the concerns Santander has identified as most important for its stakeholders in the analysis.



Relevant aspects for the Group matrix



Challenges and opportunities

Like every business, Santander operates in a world that is changing fast, creating new challenges and opportunities. Using the results of the materiality assessment, we have identified two core challenges – the challenge of the new business environment, and the challenge of inclusive and sustainable growth.

Challenge 1: New business environment. Adapting to an evolving world

The transformation that is happening in the world economy is unprecedented. The opening of new markets, the availability of global capital and advances in information technology and communications are changing the competitive environment of companies across the world. This new competitive framework, in a time of constant change, requires companies to assume greater responsibilities to innovate and work in new ways.

Santander, like all businesses, needs a motivated, skilled workforce able to deliver what customers want, harnessing the power of new technology. Meanwhile, we face new regulations and laws. These trends create the challenge of new business environment in which we operate. Our task is to exceed our stakeholders expectations, to do the basics brilliantly, every day. Key to this is having a strong culture – a business in which all we do is Simple, Personal and Fair.



For more detailed information on our strategy to tackle this challenge and turn it into an opportunity, please see section "Challenge 1: New business environment" of this chapter.

Challenge 2: Inclusive & sustainable growth. Helping society achieve its goals

Growth should meet the needs of today's generation, without hampering future generations' ability to meet their own needs: a balance should always be struck between economic growth, social welfare and environmental protection. Financial institutions can deliver this by managing their own operations responsibly, and lending responsibly to help society achieve its goals.

We can play a major role in helping ensure growth is both inclusive and sustainable. Inclusive: by meeting all our customers' needs, helping entrepreneurs start companies and create jobs, strengthening local economies, improving financial empowerment, and supporting people get the education and training they need. Sustainable: by financing renewable energy, supporting smart infrastructure and technology to tackle climate change (such as agrotech and green tech). We do this while taking into account the social and environmental risks and opportunities in our operations, and actively contributing to a more balanced and inclusive economic and social system.



For more detailed information on our strategy to tackle this challenge and turn it into an opportunity, please see section "Challenge 2: Inclusive & sustainable growth" of this chapter.

Principles and governance

All our activity is guided by policies, principles and frameworks to ensure we behave responsibly in everything we do. We have redesigned and strengthened our responsible banking governance, both to ensure we are compliant and to help us manage initiatives which tackle the two challenges we have identified.

Policies that support our responsible banking strategy

General code of conduct	Corporate culture policy ^A	General sustainability policy	Human rights policy	Climate change and environmental management policy	Sector policies			
Brings together the ethical principles and rules of conduct governing the actions of all of the Group's staff and is the central element of the Group's compliance programme.	Establishes the guidelines and required standards to be followed ensuring a consistent culture is embedded throughout the Group.	Defines our general sustainability principles, and our voluntary commitments with our main stakeholders, lasting value.	Sets out how we protect human rights in all operations, and reflects the UN Guiding Principles on Business and Human Rights.	Sets out Santander's policy to protect the environment and mitigate the impact of climate change.	Lays down the criteria governing the Group's financial activity with the defence, energy, mining & metals and soft commodities (products such as palm oil, soy and timber) sectors.			
Consumer protection policy ^B	Code of conduct in security markets	Cybersecurity policy	Suppliers certification policy ^C	Tax policy	Conflicts of interest policy	Financing of political parties policy	Policy on contributions for social purposes	Corporate volunteering policy

A. Includes employee's diversity principles.

B. Includes financial consumer acting principles.

C. Includes principles of responsible behaviour for suppliers.

Changes to policies in 2018

- Update of the general sustainability policy, to reflect the current governing bodies and to improve the clarity around prohibitions and restrictions in financing certain customers and / or activities, as set out in its sectoral policies (energy, defence, mining & metals and soft commodities).
- Update of climate change and environmental management policy to reflect the current governing bodies.
- Update of the human rights policy to reflect the current governing bodies and to include: a reference to The Global Standard Conduct for Business to protect the Rights of LGBTI individuals as a relevant international declaration supported by Santander.
- Update of the suppliers certification policy to include new principles of responsible behaviour for suppliers.
- Approval of global policy on induction, knowledge and development.
- Approval of cybersecurity policy, taking into account new risks and legislation in this field.
- Approval of contribution for social purposes policy.

Risk culture

Our risk management and compliance model is key to ensure we operate and behave in a way that reflects our values and corporate culture, and delivers our responsible banking strategy.



For more information, please see 'Risk culture' section in this chapter.

Strategic overview and coordination

Responsible banking, sustainability & culture committee (RBSCC)

Assisting the board of directors in fulfilling its oversight responsibilities with respect to the responsible banking strategy, sustainability and culture issues of the Group: corporate culture, ethics and conduct, the digital transformation, inclusive and sustainable growth.

Culture steering

This group ensures we have the right culture, skills, governance, digital and business practices to meet stakeholders' expectations.

Inclusive & sustainable banking steering

To meet the challenge of inclusive and sustainable growth, this group supports small businesses to create new jobs, improving financial empowerment, supporting finance the low carbon economy and fostering sustainable consumption.

To drive progress on the responsible banking agenda, a new unit under the Executive Chairman's Office team has been established.

Santander has appointed a Senior Advisor on Responsible Business Practices, who reports directly to the executive chairman and works with the Responsible Banking Unit.

Santander subsidiaries

Guiding principles have been developed for subsidiaries (and global business units) to ensure governance and implementation of its responsible banking agenda is embedded across the Group as a whole.

Likewise, each subsidiary has appointed a senior responsible for the function.

Group strategy metrics & targets

Key initiatives proposed and agreed by the RBSCC in 2018:

- The new governance model for responsible banking.
- Approval of the guiding principles of governance and supervision in matters of responsible banking, sustainability and culture for the Group's subsidiaries.
- Established lines of accountability and agreed metrics.
- Update of the criteria for financing activities related to coal, both those related to its extraction (mining) and its use as an energy source (energy).
- Update of the financing policy to sensitive sectors, to incorporate new criteria and guidelines regarding the gambling sector, and the defense.
- Main priorities in 2019:
 - Financial and social inclusion.
 - Responsible and sustainable products offered.
 - Social and environmental risk and opportunities.
 - Group's corporate culture.



For more information, please see section 4.3 'Activity report' in Corporate governance chapter.

2018 highlights

We have built on our success by helping more people and businesses prosper, while bringing a new focus to our efforts to be a more responsible bank.



We have received global recognitions for our efforts...



- Santander was ranked **third in the world and first in Europe** among banks in the **Dow Jones Sustainability Index**.
- **Fortune Magazine named Santander in its 2018 Change the World list** – recognising the Group among companies who “do well by doing good”.
- **Santander received Top Employers Europe 2018 certification**, and ranked in the top 3 of the best financial institutions to work in Latin America, according to Great Place to Work.
- **Prospera microfinance program**, was chosen as an example of good practice by the Brazilian Network of the Global Compact to reach the SDGs in 2030.
- **Santander X**, our global community of university entrepreneurship, was chosen as an example of good practice by the Spanish Network of the Global Compact to reach the SDGs in 2030.



...we strived to address the challenge of the new business environment...



- The **board approved a new policy** to ensure a consistent culture is embedded throughout the Group.
- **New employee value proposition created**, positioning Santander as an employer of choice both internally and externally. **86% of employees feel proud to work for Santander.**
- **More than 56,000 SPF surveys were sent to customers, shareholders, investors and university students** to know their perception of Santander as Simple, Personal and Fair.
- **New corporate diversity & inclusion principles were agreed**, to consolidate our cultural transformation.
- **Awareness and understanding of cybersecurity was increased** through comprehensive communication and education activities and launch of a new, cybersecurity policy taking into account new risk and legislation.
- **New suppliers certification policy was approved**, which includes principles of responsible behaviour for suppliers.
- **New internal governance website was created**, including a single global portal for all corporate frameworks, ensuring strong governance and consistency across the Group.

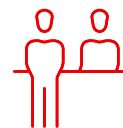
MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Simple | Personal | Fair

risk pro
...Everyone's business



...while ensuring that we promote inclusive and sustainable growth...



...and building an even more responsible bank

- **Santander joined United Nations Environment Programme Finance Initiative (UNEP FI)** to develop the principles for responsible banking to align the sector with the SDGs and the Paris Climate Agreement.
- CEOs of different international companies and UN Special Advocate launched a **Private Sector Partnership for Financial Inclusion**, with Santander representing the banking sector.
- **Santander Asset Management launched a new range of sustainable funds**, which combine financial criteria with non-financial ones.
- **Santander Corporate & Investment Banking (SCIB) consolidated its leading position in renewable energy transactions.** 6,689 MW of renewable energy financed, equivalent to the consumption of 5,7 million households.
- **4th Universia International Rectors' Meeting was held in Salamanca.** The meeting brought together 600 rectors from 26 countries, representing 10 million university students around the world, in a discussion entitled 'University, Society and Future' on the challenges facing higher education.

- **New board committee on responsible banking, sustainability and culture** was formed to drive and co-ordinate our responsible banking approach across the Group.

Main SDGs

where Santander's business activities and community investments have the most impact.



Challenge 1: New business environment

To meet the challenge of the new business environment, we're focusing on...



Strong corporate culture

The Santander Way defines our purpose, our aim and how we do business, by being Simple, Personal and Fair in everything we do.

Talented and motivated team

The more prepared and motivated our workforce is, the stronger their commitment to helping people and businesses prosper will be. Our workforce is diverse in terms of expertise and gender.

Responsible business practices

We develop our products and services responsibly, and aspire to deliver excellent customer service. Customer protection data is one of our main priorities.

Risk culture

As a bank, managing risks is an essential part of our daily business. We have a robust risk management model and risk culture to ensure we operate in a prudent and responsible way.

Shareholder value

We have clear and robust governance. Risks and opportunities are prudently managed; and long-term strategy is designed to safeguard the interests of our shareholders and society at large.

Responsible procurement

Our procurement processes are based on ethical, social and environmental criteria to ensure we operate in a sustainable way throughout our operations.

Strong corporate culture

The Santander Way is our strong global culture, fully aligned to our corporate strategy. It includes our purpose, our aim, and how we do business. It is the bedrock of our bank, a responsible bank.

The Santander Way Simple | Personal | Fair

Simple, Personal and Fair is how we do business and behave as part of our corporate culture. It embodies how all Santander's professionals think and operate, and represents what our customers expect of us as a bank. It defines how we go about our business and take decisions, and the way we interact with customers, shareholders and the community.

The entire team at 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.

**“ Just as important
as **what** we do is
how we do it ”**
Ana Botín

Simple

We offer an accessible service for our customers, with simple, easy-to-understand products. We use plain language and improve our processes every day.

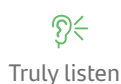
Personal

We treat our customers in an individual and personal way, offering them the products and services that best suit their needs. We want each and every one of our employees and customers to feel unique and valued.

Fair

We treat our employees and customers fairly and equally, are transparent and keep our promises. We establish good relations with our stakeholders because we understand that what is good for them is also good for Santander.

Our corporate culture includes eight corporate behaviours...



...and a strong risk culture where everyone is personally responsible for managing their risks in their day to day work

risk pro
...Everyone's business

The Santander Way: governance



For more information on employee ethical channels, please see 'Risk management' chapter.

For more information on supplier ethical standards, please see 'Risk management' chapter.

To ensure The Santander Way is understood and embedded, we need to develop, promote and monitor the consistency and implementation of our global culture across all the markets where Santander operates.

We have a **culture steering governing body** which meets monthly, incorporating senior members from across the Group to promote, approve, support and evaluate the implementation and progress of global and local culture initiatives in line with the board approved corporate culture policy.

● Code of conduct

The General Code of Conduct defines the standards and principles which establish the basis for all actions to be applied by the Group employees in their day-to-day activities and is the central pillar of the Group's compliance programme. It also covers equal opportunities and non-discrimination, respect for people, work-life balance, occupational risk prevention, environmental protection and collective rights. Santander promotes the opportunities for its employees to raise concerns and operates ethical channels,

managed by the compliance and conduct function, ensuring confidentiality, and that there is no retaliation against whistle-blowers.

We also ensure that our suppliers abide by our ethical standards.

● Corporate culture policy

We have a corporate culture policy that establishes the guidelines to be followed ensuring a consistent culture is formed and embedded throughout the Group.

This policy has been developed in partnership with country culture teams and key stakeholders. It is structured on three levels:

Common elements: these are the backbone of our culture. They have been formed through a bottom-up process and apply to the entire Group.
Mandatory global initiatives: these must be implemented across the Group, but are adapted and managed at local level.
Local initiatives: these are developed by local units whilst respecting the corporate culture policy and other corporate frameworks.



Further information can be found on 'Risk culture' section of this chapter.

● Risk culture 'risk pro'

We have a strong risk culture known as risk pro, which defines the way in which we understand and manage risks on a day-to-day basis. It is based on the fact that all professionals are responsible for the risks they manage.

Examples of cultural initiatives to show how we are doing Simple, Personal and Fair

1. People

The Santander Way of working

Diversity & inclusion

Behaviours & leadership

Employee value proposition

2. Customers

Simplified processes

Customer experience

Operational excellence

Cyber and data protection

3. Shareholders

Transparent communications

Robust internal governance

Risk culture

4. Communities

Future talent support via Santander Universities programme

Corporate volunteering

Six key focus areas in 2018

Objectives



Listening strategy



Promoting an environment of **openness** and **speaking up**, improving **survey execution and analytics to better understand feedback** and **act on it**.



Leadership



Common leadership commitments for all people managers.



Diversity & Inclusion



Group Diversity & Inclusion principles providing global guidance and minimum standards.



Behaviours



Embedding corporate behaviours in the **employee lifecycle** and in **our everyday activities**.



Global collaboration



Increasing global collaboration, sharing best practices and simplifying processes.



Communities



To continue **to help communities** to prosper by fostering and supporting **inclusive** and **social** programmes.

Across the Group, we are embedding Simple, Personal and Fair¹

By building a loyal and committed workforce, we deliver sustainable growth and fulfil our purpose



1. 2018 figures.

A talented and motivated team

To win in the new business environment, and to earn and keep customers' loyalty, we need a workforce that is both talented and motivated. And if we are to meet the needs of today's society, our team needs to reflect society.

Talent Management

Successful businesses need skilled and motivated teams: a responsible business attracts the best talent and earns its loyalty. Talent management and retention is therefore one of our key human resources strategies. Each year, we implement various initiatives and programmes aimed at helping our employees grow personally and professionally, thereby enhancing their ability to serve our customers in a Simple, Personal and Fair way.

Main group data	2018
Total employees (thousand)	203
% employees with a permanent contract	96.0
% employees working full time	94.6
Employees joining/leaving (turnover)	15.4
% of workforce promoted	8.6
Average length of service (years)	10.3
% coverage of collective agreements	70.6



For additional information, see 'Key metrics' section of this chapter.

Programmes to identify the best talent

- **Talent valuation committees.** A structured process to identify our future potential talent.
- **Succession planning for leaders.** Succession planning for the key positions in the Group to ensure the sustainability and management control.
- **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.
- **Digital Cellar.** New methods of recruitment to understand and attract digital talent, offering spaces to execute projects (challenges that Santander faces and wants to solve).
- **Young Leaders.** Launched in 2018, this professional development programme, has involved 280 young employees from 22 countries. Participants were chosen by their peers, and are engaged directly with our top executives, giving them the chance to develop the Group's strategy by bringing in new ideas and perspective.



Development and mobility programmes

- **Global Job Posting.** Offers all employees the chance to apply for vacant positions in other countries, companies or divisions. Since its launch in 2014, over 4,000 positions have been published globally.
- **Mundo Santander.** Our employees can work for several months on a project in another country, promoting the exchange of best practices and broadening their global vision. Since its launch, 1,907 people in 28 different countries have taken part.



Santander, a great company to work for

The talent, commitment and motivation of our 202,000 employees is the basis of our success.

In 2018 Santander received Top Employers Europe 2018 certification which acknowledges the working conditions companies create for their employees. The Group received certification for Santander Spain, Poland (Bank Zachodni WBK), the UK and its Santander Consumer Finance units in Austria, Belgium, Germany, Italy, the Netherlands and Poland.

Likewise, in 2018 Great Place to Work recognised Santander as one of the best financial institutions to work in Latin America. Santander ranked 20th in the Best Multinationals Ranking

and ranked in the top 3 of the best financial institutions, thanks to the performance of our operations in Argentina, Brazil, Chile and Mexico.

This 2018 Great Place to Work certification marks a further step forward towards our objective of becoming one of the best companies to work for. It reflects the huge efforts we have been making across all countries to become a more attractive organisation that is capable of attracting and retaining the finest talent, in turn allowing us to help people and businesses prosper while making us a more responsible bank.

Leadership commitments

We know that Leadership is fundamental to the pace of our culture change. Having great leaders helps us to change faster and make the change with more stable and lasting foundations.

In 2018, more than 300 colleagues in 28 countries or units across Santander Group have contributed to identified and define our new leaderships commitments.



Being open
and inclusive



Inspiring and executing
transformation



Leading
by example



Encouraging
the team to prosper

In the last few years, Santander has undergone various restructurings that affected jobs and employment. Wherever this has happened, we have followed a series of steps, namely:

- Participation is facilitated and negotiations take place with the employees' legal representatives. We engage closely with employees' legal representations.
- The legal regulatory minimums for redundancy payments are exceeded. We help individuals relocate and find new work.
- Social plans that have been presented include aid for relocation and actions to give them maximum support for the employability of those affected.

Knowledge and development

Continuous learning is key to help our employees adapt to a fast-paced, continuously changing work environment. In 2018 a global policy on induction, knowledge and development was developed and approved.

This provides criteria for the design, review, implementation and supervision of training to:

- Support the business transformation.
- Encourage global talent management, facilitating innovation, knowledge transfer and sharing and identifying key employees in the various knowledge areas.

- And supports the company's cultural transformation under the governance standards set for the Group.

Main group data	2018
Millions invested in training	98.7
Investment per employee (euros)	486.8
% employees trained	100.0
Hours of training per employee	33.8
% of e-learning hours	48.1
Employee satisfaction (over 10)	8.0

The 'Never Stop Learning' strategy

▶ 1

Global Knowledge campus:

a training space to share knowledge and best practices.

▶ 2

Leading by Example programme:

a training programme that helps leaders identify the role that they should play to implement the SPF culture.

▶ 3

Santander Business Insights:

a series of conferences that combine internal and external visions to sensitise employees to the importance of certain behaviours in their daily work.



Leaders Academy Experience

This is a new training plan to make it easier for leaders to transform the Group, to equip them with the tools and training they need to accelerate change, and to set an example for their teams and the organisation.

This consists of a four stage learning journey, one session held per quarter, focusing on people and an inclusive workforce, new ways of working and business models in the digital age, the "new normal" and how to be great leaders.

In 2018 three conferences, 12 virtual sessions and four workshops were held.



For additional information, see 'Key metrics' section of this chapter.

Evaluation and remuneration

We have a comprehensive remuneration system, based on principles approved in 2018 (see Corporate governance chapter of this 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 merit. It reflects what has been achieved (group targets and 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 Group also offers pension plans and other benefits such as banking products and services, life insurance and medical insurance.

Fixed remuneration is determined by reference to the local markets. Remuneration levels are set according to local practices and strictly follow the collective agreements applicable in each geography and community. Variable remuneration is a form of reward for achieving the Group's quantitative and qualitative strategic targets.

Furthermore, to meet European regulations on remuneration, we have identified 1,384 people who take decisions that may involve some risk for the Group and applies to them a deferral policy for their variable remuneration with includes deferral of between three and five years, payment in shares (50% of variable remuneration) and potential reduction (malus) or recovery (clawback).

Main initiatives developed in 2018:

- Review, together with the compliance function, of the local systems of variable remuneration of sales force (linked to the quality of service and behavior with customers).
- Reinforcement of the elements of risks linked to variable remuneration.
- Adoption of the necessary methodology for a consistent analysis of the gender wage gap, including gender wage equity for the performance of the same function.



For additional information regarding remuneration data see 'Key metrics' section of this chapter.



For additional information regarding board remuneration see section 6 of the Corporate governance chapter.

MyContribution

Our employee evaluation model is designed to reinforce the key role that the corporate culture has in driving the Group's transformation. The model has an impact on employees' variable remuneration.

In 2018, this model was applied to all the Group's executives, and it has been extended to other employees in different geographies and in the corporate centre. In addition, for a group of managers (8,000 people from all geographies in which Santander 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. Remuneration therefore reflects what an individual has achieved as well as how he or she has behaved.

How we do it 40%

- Leadership
- Commitment
- Development
- Risk management



What we do 60%

- Group targets
- Team targets
- Individual targets

Diversity & Inclusion

If we are to understand modern society, we need a diverse and inclusive workforce that reflects society. Managing this talent diversity in an inclusive way, reflecting our values, will enable us to attract, develop and retain the best professionals and to achieve better results in a sustainable manner.

We have defined our **general principles on Diversity & Inclusion (D&I)**, with the aim of serving as an 'umbrella' for all local initiatives as well as setting minimum standards for countries in their action plans, which will further improve diversity and inclusion in Santander. These general principles have been incorporated into our corporate culture policy as a key enabler to consolidate the cultural transformation.

To ensure appropriate management and promote diversity and inclusion at Group level we have created two working groups:

- A **Global D&I Executive Working Group** with business influencers and decision makers from different geographies and functions to develop

	2018
% of women employed	54.5
% of women in management positions	20.5
Average age of the workforce	38.8
% Employees with a disability ^A	1.7

A. US and Mexico not included.

and give direction to Group diversity and inclusion strategy.

- A **Global Network of D&I experts** with representatives from the countries (operational team to share practices and be the transmission chain at a local level).

Additionally, in order to foster an inclusive leadership and to help to raise awareness, we have launched a **global D&I online training** based on learning experiences where participants will get to explore how to shift mindset and develop new skills.

85%

of employees believe Santander treats employees fairly regardless of their age, family, marital status, gender identity, expression, disability, race, colour, religion or sexual orientation.
+4 vs 2017.^A

A. 2018 Global engagement survey

In 2018 the following diversity and inclusion plans were approved to be implemented across the Group

Gender

- Talent selection: improve or at least maintain male/female ratio in divisions in selections for leadership positions.
- Talent identification: increase the percentage of women in the pipeline for succession planning in order to meet 2025 commitments.
- Eliminate gender pay inequality for those holding positions at the same level and department.
- Scorecard reflecting diverse representation for leaders.
- Support women growth by

cross function mentoring and development programs.

- Actions to support maternity and parents.

Culture+ identity

- Cultural Diversity Mapping.
- Continue to reinforce Flexiworking by facilitating flexibility measures that promotes a better work-life balance.
- Affinity Groups. Minorities represented in different employees' networks.

Disability

- Mapping and monitoring in all geographies. Include topic at the agenda of local boards.
- New programs to promote the hiring of people with different disabilities.

Enablement

- Making sure employees are aware of D&I Training & Awareness programmes.



Further information regarding diversity in the Group available in 'Key metrics' section of this chapter.

Gender equality

Equal opportunities between men and women is a priority throughout the Group. We are promoting multiple initiatives in order to achieve effective equality between men and women at all levels.

The equal pay gap compares women and men who have the same job, level and function. In Santander this is very small. The gender pay gap (GPG) takes into account aggregate data of remuneration of men and women. Here, we still have a lot to do in terms of increasing representation of women at senior management levels (where remuneration is higher and gender diversity is still low). Changing this is a priority for the Group. This is why we have established specific diversity objectives for our top-level executives.

Gender pay gap

31%

Gender pay gap measures the difference in pay, regardless of the work's nature, in an organisation, a business, an entire industry or the economy in general.

GPG is calculated as the difference of the median of the compensation paid to male and female employees expressed as a percentage of the median of the male compensation. For this calculation, compensation includes base salary and variable remuneration, excluding benefits/in kind remuneration or local allowances.

Reported figures are from a study conducted in 2018 (on the basis of 90% of the workforce), based on full-year 2017 compensation data updated to include 2018 compensation projections.

At the board level, 33% of members are women (December 2018). In February 2019, the board agreed to increase our current objective of women representation of 30% (which we have had since 2015) to equal presence (between 40% and 60%) in 2021.

In order to address the gender pay gap, we have established a methodology based on best practices, establishing common guidelines for both the Group and local units on how to address the pay gap. Likewise, local action plans have been promoted with periodic monitoring and control plans.

The bank also needs to have more diverse talent in STEM skills (Science, Technology, Engineering and Mathematics) - and to do so without harming gender diversity.

Equal pay gap

3%

Calculation of equal pay gap compares employees of the same job, level and function. This allows to compare like for like jobs.

Factors included in the Group's local policies which may impact compensation gap between male and female such as tenure in position, years of service, previous experience or background have not been considered to mitigate the reported figures.

Our commitments

Gender diversity

2025 → 30%¹

Cultural diversity

(Different educational background, experience in different sector, international experience, race)

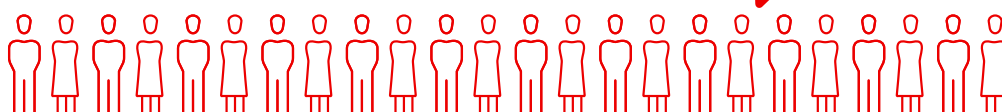
2025 → 70%

1. In top executive positions.



Banco Santander leads the **Bloomberg Gender-Equality Index** made up of 230 companies from different sectors

95.32
points out to 100



For the second consecutive year Santander has obtained the highest score out of the 230 companies that form part of the Bloomberg Gender-Equality Index, which evaluates the performance of companies in gender equality.



Employee experience

Keeping our workforce motivated is key to ensuring their commitment and success in helping people and businesses to prosper. At Santander we do it by implementing measures that encourage listening, work-life balance and a healthy and personally fulfilling environment.

1

Speaking up / active listening

If we are to build a responsible bank, everyone should feel able to speak up, not just to suggest how to improve doing things, but to alert management when things go wrong, or when there is suspected malpractice.

Listening → Speak up → Take action



Global engagement survey

Tracking our employees' satisfaction via the engagement survey is fundamental for our Group, as it enables us to continue to progress towards being the best bank to work for.

2018 results show that our team is proud of working for Santander and committed to continue making a bank that is more Simple, Personal and Fair. The results also show a significant improvement in the perception that the Group promotes a culture that fosters diversity and which focusses on results. Important areas of improvement include the need to continue improving our processes to make them simpler and more transparent, giving the resources required to ensure the job is done as efficiently as possible.

88%
of participation
+4 vs 2017

82%
of employees committed
+5 vs 2017

84%
of employees are
satisfied with Santander
as a place to work.
+9 vs 2017

88%
of employees believe
Santander acts responsibly
in the way it does business
+1 vs 2017

Ethics channels

In 2018 we have implemented several initiatives to encourage people to speak up and we have created new ways to protect confidentiality and whistleblowers' anonymity. We have worked on a project to develop a single ethical channel, through which employees will be able to report breaches both of the Code of Conduct and our Simple, Personal and Fair corporate culture. This channel will be managed by an independent third party, in order to ensure confidentiality and the anonymity of the complaint.



For further information see section 7 of Risk management chapter.

2

New ways of working

We promote the transition towards a more flexible way of working that enhances the work-life balance of our employees.

Our corporate flexiworking policy, applicable to the entire Group, includes a set of measures to which each person can benefit based on their personal needs and their professional situation. These measures refer to:

- How we organise the working day (flexibility and time): schedules of entry / exit, alternative configurations to the day, regulation of vacations, guides and recommendations for the rational use of mail and meetings.
- Where we work from (flexibility in space): working remotely, teleworking.

In addition, through an agreement signed with the representation of workers, Santander has committed to promoting a rational management of working time and its flexible application, as well as the use of technologies that allow a better organisation of the work of our professionals and that includes the right to digital disconnection.

Likewise, we are also redesigning our offices to obtain a new work space that better encourages collaboration.



82%

of employees indicate that their direct manager helps them reach a reasonable balance between personal and professional life.^A

84%

employees indicate that their direct manager facilitates flexibility in the work team.^A

A. 2018 Global engagement survey results.

3

Culture of recognition

The StarMeUp initiative is a global recognition network that allows employees to appraise employees who lead by example by championing SPF behaviours.

In 2018, one and a half million StarMeUp stars have already been given by Santander's professionals to other colleagues. This is proof of how the culture of recognition is being consolidated in the Group.

This year, we have reached more than 132,000 active users of StarMeUp in the Group, 11% more than the goal set during the first months of 2018, and we have already given 689,000 stars to our colleagues.



StarMeUp

1.5

million stars given by employees



4

Volunteering

Volunteering builds a strong team spirit and a sense of purpose – while also helping the communities in which we operate. Thanks to our corporate volunteering policy, employees are entitled to spend a certain number of working hours each month or year volunteering.

In 2018 our legal services, in line with the strategy and culture of the Group, have launched Santander Legal Pro Bono. This challenge requires our lawyers to provide voluntary and unpaid work, using all their knowledge and professional skills to support non-profit social, cultural or educational organisations that cannot afford legal services, and whose aim is helping persons in a situation of social vulnerability.

Likewise, in headquarters, throughout December, we developed 'ideas marathons' (related to communication and marketing, technology and systems, human resources), at which our team helped various NGOs to improve their identity and brand image, their presence on social networks and branding, as well as their organisation and analysis of data. We also helped organisations develop their support for communities – for example, so that one charity which cares for young people can help train them for the labour market.

Pro Bono activities are part of the Group's corporate social responsibility and, in particular, in the objective of creating value for the community in the long-term.

In countries such as Brazil, Spain, the United States, Poland, Portugal, or the United Kingdom, our employees have also devoted working hours to promoting financial education and teaching people to manage their finances in an effective and organised way.

Likewise, employees also participate in numerous initiatives to improve the quality of life of people.



Our Group Executive Chairman Ana Botín, participating in a charity toy collection organised in collaboration with the Spanish Red Cross in Boadilla del Monte, Madrid.

+40,000
employees participating
in community activities

+130,000
hours devoted

Banco Santander, host of the European Pro-Bono Summit 2018

The Group City hosted the European Pro-Bono and Skills-Based Volunteering Summit, the leading international congress in this field. The gathering was attended by over 130 people from around 20 countries across five continents, addressed by more than 35 international speakers on how to leverage employee talent and generate a positive social impact.

5

Health and occupational risk prevention

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

We are aware that one of the important aspects of motivation, commitment and real equality for our employees is the balance between personal and work life.

Santander continues to promote a healthy and work-life balance, through policies and services to address the personal and family needs of our employees. Our General Code of Conduct highlights the importance of promoting a working environment that is compatible with personal and family life.

In addition, within the New Ways of Working initiative, Santander has designed the new work spaces and their equipment, both from the ergonomic perspective and from the safety aspect.



BeHealthy

In Santander, the health of our people is the health of our company. This is why we have a commitment to be one of the healthiest companies in the world, and offer employees health and wellness benefits, and raise awareness on this topic, through our BeHealthy programme.

In 2018 we partnered with The Leadership Academy of Barcelona to launch a digital space where employees around the world can access training on the four pillars of BeHealthy: Know your numbers, Move, Eat well, and BeBalanced. In this space employees can access the flagship training programme called Sustaining Executive Performance where they can find the keys to achieving improved performance, both personally and at work, by through encouraging healthy habits.

Also, in 2018 we signed a global agreement with an innovative company called Gympass that offers colleagues the chance to benefit from over 40,000 affiliated health and wellness centers across the globe for one membership, offering a wide range of activities from gyms, cross-fit, dancing, yoga, pilates, among others.

3.7%

Absenteeism rate^A

10,367

thousand hours
missed due to non-
working related
illnesses & accidents

0.5%

Work-related
illness rate^B



For additional data
disclosure, see 'Key
metrics' section of
this chapter.

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

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

Responsible business practices

Being responsible means offering our customers products and services that are Simple, Personal and Fair. We need to do the basics brilliantly and, when things go wrong, we need to solve problems fast and learn from our mistakes.

Products and services commercialisation and consumer protection

Our Product Governance and Consumer Protection function, within our **Compliance and Conduct** area, designs the crucial elements for the appropriate management and control of marketing and consumer protection.

In this context 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 monitoring and consumer protection committee, which monitors the products and services we already have in the market and ensures that customers' needs are met and their rights are protected throughout the entire product life cycle.

Additionally, our corporate consumer protection policy sets out the specific criteria to identify, organise and execute the principles of consumer protection for our customers, and also sets out the specific criteria for the control and monitoring of compliance.

Financial education

Financial education is a key element in the relationship with our customers and is part of our principles of consumer protection. We are committed to promoting financial knowledge, educating on how to use banking services effectively and generating more confidence and security in their use.

In order to structure this activity and ensure homogeneous principles of conduct across all financial education initiatives, we continue working on the design and development of some best practice guidelines applicable to all these initiatives, in line with the criteria of supervisors and regulators.



For more detail on product governance and consumer protection see 'Risk management' chapter.



For more information on financial education see 'Community investment' section of this chapter.

Corporate consumer protection policy: principles of financial consumer protection



Treat Customer fairly



Complaints handling



Consideration of special customers' circumstances and prevention of over-indebtedness



Data protection



Customer-centric design of products and services



Responsible pricing



Financial education



Transparent communication



Responsible innovation



Safeguarding of assets



Vulnerable customers

The Group has worked on standards and good practices when dealing with vulnerable customers and preventing over-indebtedness. This enables us to transmit to all business units, standards of action to promote the definition, identification, treatment and management of clients in special circumstances and apply solutions that suit their specific needs, to proceed in their best interests and always offer viable solutions.

These standards and good practices will be included in a corporate guide that will establish, among other, a common definition of vulnerable customer and prevention measures of over-indebtedness.



We adapt quickly to market changes

After the financial reform carried out in Mexico, a specific complaints channel was created so that customers could raise their complaints about certain activity cases of the recovery agencies.

In response we evaluated the treatment of customers throughout the Group in order to identify possible improvements in this process and share good practices among all business units.

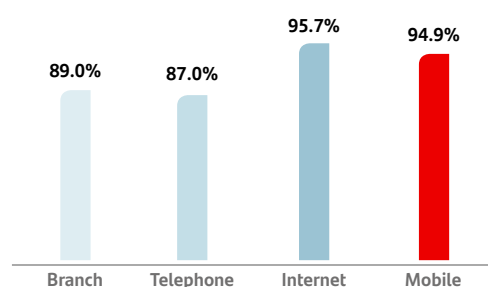
Operational excellence and customer satisfaction

We are consistently tracking our customers' views and their experiences with Santander. This data reveals where we can improve our services further, and helps us gauge customers' loyalty to Santander. More than a million surveys are conducted annually.

To ensure that the entire Group remains focused on the customer, customer satisfaction has been included as a metric in the variable remuneration systems of most of the Group's employees.

Customer satisfaction

% satisfaction among active retail customers



2018 Target

to rank among the top 3 for customer satisfaction in main markets^A

TOP
competitors

A. Except in US.



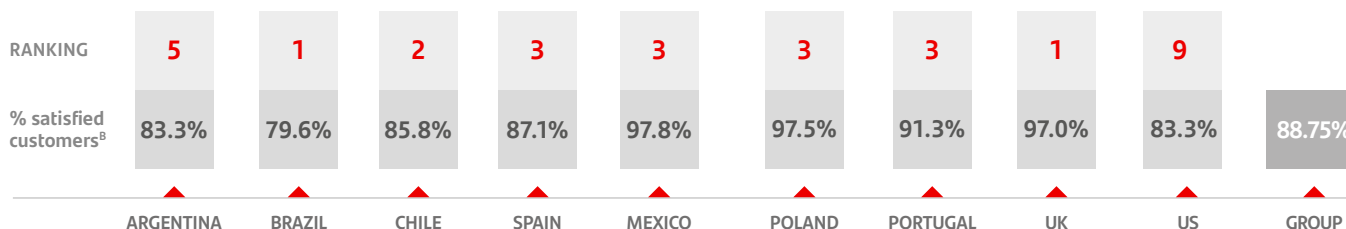
2018 Achievement

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

7
countries in the top 3



Customer satisfaction by countries



B. Internal benchmark of active individual customers' experience and satisfaction. Data at 2018 year-end. Audited.

New, redesigned branches are transforming customers' experience

With initiatives such as WorkCafé in Chile, Smart Red in Spain and the digital branch in Argentina, our new branches are transforming customer experience in nearly 1,000 locations.



are
20%
more productive

generate
96%
customer satisfaction

Increase brand visibility and engagement with communities

Complaints management

We don't simply aim to address complaints, but to learn from them – tackling the issues that gave rise to complaints in the first place. The Group procedure for complaint management and analysis aims at adequately handle any complaints submitted, ensuring compliance with the local and sectoral regulations applicable, and to provide customers with the best possible service.

Root-cause analysis has been reinforced with the application of Group methodologies and standards. In addition, reporting and governance in all units has been completed in order to identify recurrent or systemic incidents or problems that could generate detriment in customers, to correct their original causes.

Listen

→ We consider it essential to listen carefully to our customers' questions, complaints and claims.

Analyse

→ Review and understand the customers' needs.

Act

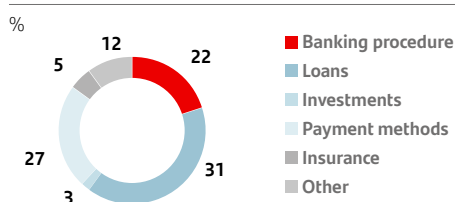
→ According to the nature of the complaints, provide innovative solutions.

Improve

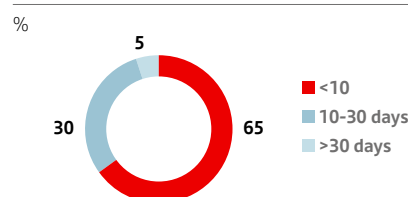
→ Apply the improvement globally.

We listen to our customers, as their loyalty to Santander generates sustainable returns.

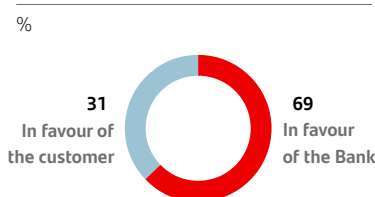
Type of complaints



Average resolution time



Resolution



US

In the US, the Santander complaints management team has evolved significantly and improved complaint management. This in turn has led to improved customer satisfaction through the development of a new methodology to identify vulnerable customers. This new development allows us to support those vulnerable customers accordingly and to provide them with a solution in keeping with their circumstances.



Mexico

In Mexico, we have launched a new app that allows customers to submit claims for charges not recognised for purchases made with a card. This process will reduce the time in which a clarification is recorded by up to 60%, and makes it possible to track any report, even if it has been initiated by other channels. The customer's balance is not affected while the claim is being resolved.

Risk culture

Managing risk prudently is a cornerstone of a responsible bank. This requires clear policies, processes and lines of accountability – all backed by a strong culture that reflects the fact that in a bank like Santander, everyone has a role to play in managing risk.

Our risk management and compliance model is key ensuring we operate and behave in a way that reflects our values and corporate culture, and delivers our responsible banking strategy. It is based on three lines of defence:

1. business and support units,
2. risk management and compliance,
3. internal audit.

The board of directors is responsible for the risk control and management, and, in particular, for setting the risk appetite for the Group.

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

Risk culture as part of our corporate culture - Risk Pro¹

Risk management is underpinned¹ by a shared culture that ensures that all employees understand and manage the risks that are part of their daily work.

Santander's strong risk culture is one of the main reasons the Group has been able to deal with changes in the economic cycle, new customer requirements and the rise of competitiveness, and the reason why Santander has earned the trust of its employees, customers, shareholders and society as a whole.

Against a backdrop of constant change, with new types of risk emerging and increasing regulatory requirements, the Group maintains an excellent level of risk management that enables it to achieve sustainable growth.

This involves prudence in risk management and building a sound internal risk management culture across the whole organisation, which is understood and implemented by all employees.

The risk pro culture is reinforced in all the Group's units by the following initiatives:

- **Employee life cycle.** From the selection and hiring phases and throughout their professional career, employees are made aware of their personal responsibility for risk management.
- **Risk management is included in all employees' training.** The Risk Pro Banking School and Academy help define the best strategic training goals for our professionals in accordance with Group priorities, in addition to disseminating the risk culture and developing the best talent.
- **Risk culture awareness,** its understanding and embedding has been driven globally and locally through the various initiatives.
- **Communication.** The conduct, best practices and initiatives that exemplify the risk culture are disseminated through various communication channels, leadership direction and individual actions.
- **Risk culture assessment.** The Group performs a systematic and ongoing assessment of the risk culture to detect any potential areas for improvement and implement action plans. This has involved the simplification of global indicators used to assess the level of penetration and dissemination of the risk culture within the Group.
- **Governance.** The risk culture and risk management are underpinned by sound internal global culture and risk management governance.
- **Advanced Risk Management (ARM).** ARM is a reflection of the importance of having a robust risk culture. For the Group, it is a priority aspect for its long-term goal for remaining a solid and sustainable bank.

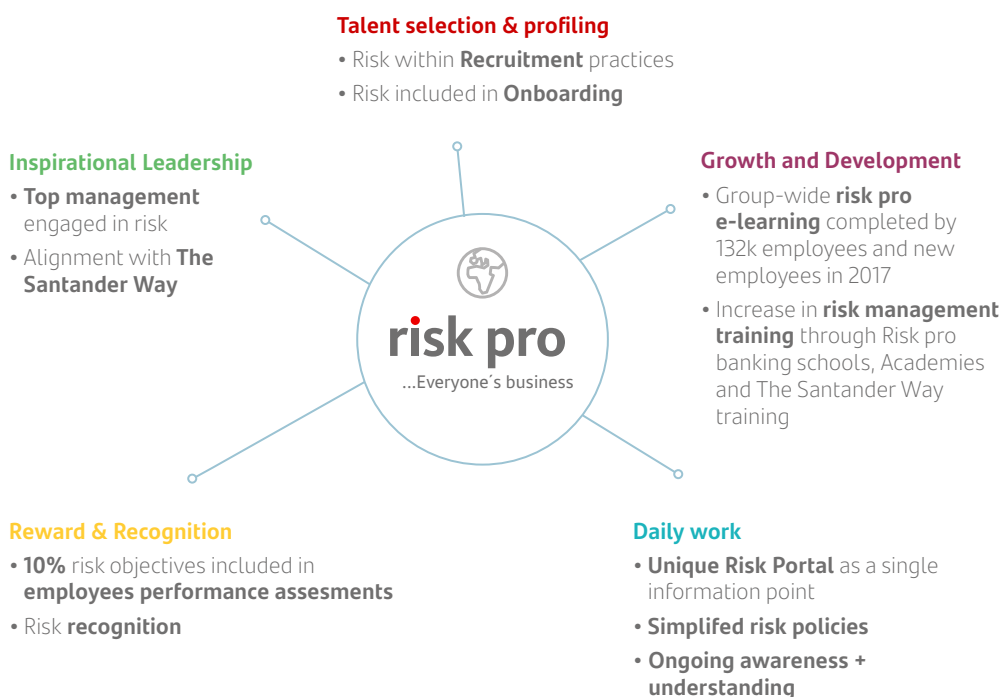
risk pro
...Everyone's business



For more information, see the Risk management chapter.

1. I AM RISK in UK and US.

Embedding risk management into the employee lifecycle



93%

of employees claim that they are able to identify and feel responsible for the risks they face in their daily work.^A

A. Global engagement survey 2018

Cyber risks

Cybersecurity is critical in the digital age. Cyberattacks and fraud risks pose systemic risks to financial services. Customers expect their data to be held securely and handled ethically.

To address this, in 2018 we have continued to strengthen our digital defences through the new cybersecurity framework. As our employees are our first line of defence, we have launched a new cybersecurity and IT conduct policy that provides five simple rules to help protect employees and Santander from cybercriminals.



Shareholder value

Our aim is to build lasting loyalty among our more than four millions shareholders by aiming to deliver sustainable growth, predictable profits and transparency.

Creating value, building loyalty

Our approach is to earn the lasting loyalty and confidence of our more than 4,1 million shareholders in 170 countries. As a responsible banking, transparency and engaging with investors and shareholders is a priority.

We are addressing key shareholder issues as follows:

- Principle of one share, and one vote and one dividend.
- No defensive mechanisms in the Bylaws.
- Encouragement of active and informed participation at meetings. In 2018 Santander broke its record for participation at the general shareholders' meeting (quorum of 64.55%).
- Use of new technologies to improve processes. Blockchain was used for investor voting at the 2018 annual general shareholders' meeting. This enhanced global proxy vote transparency and increased operational efficiency, security and analytics, which is beneficial for investors, issuers, agent banks and custodian banks.

Meanwhile, we remain in constant communication with shareholders, sharing relevant information in a timely way with them (as set out in our policy on communication and contact with shareholders, institutional investors and Proxy Advisors). In 2018, we launched a 'Virtual Customer' channel so shareholders

can hold virtual one-on-one meetings with the Shareholder and Investor Relations team.

Shareholder remuneration

In 2018 the Santander remained one of the most profitable banks in the world.

- In a trading environment of high volatility, we have met all the financial targets we set, increasing shareholder remuneration to 23 cents per share in 2018¹.
- This represents an increase of 4.5% per year of the total dividend per share, with a 9% increase in cash per share¹.
- In a difficult environment, the main indices and the Santander share ended lower. The Santander share was down 27.5%, while Stoxx Banks fell 28.0%. Santander's total shareholder return was 24.3% lower.
- On 31 December, Santander was the number one bank in the Eurozone and in the sixteenth-largest bank in the world by market cap - at EUR 64,508 million.
- At year end, Santander had 16,236,573,942 shares outstanding and posted daily average trading of 74.7 million shares in 2018, the most liquid in Europe.

4.131

million shareholders

EUR 3,724

million total remuneration¹

EUR 0.23

euro/share

Dividend per share:

4.5%

increase vs 2017

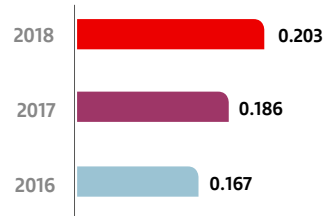
Earnings per share:

11%

increase vs 2017

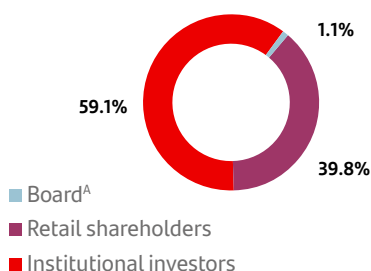
Remuneration in cash¹

Euros per share



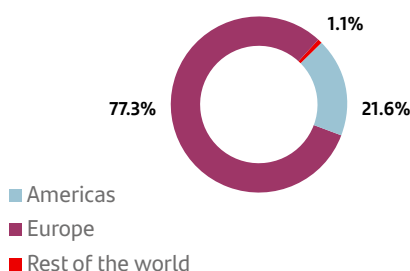
1. Total dividend charged to 2018 results is subject to 2019 AGM approval

Capital distribution by shareholder type



A. Shares owned or represented by directors. For further details on shares owned and represented by directors, see 'Tenure, committee membership and equity ownership' in section 4.2 and subsection A.3 in section 9.2 'Statistical information on corporate governance required by CNMV' in the Corporate governance chapter.

Capital distribution by geographic location



For more information on shareholder transparency & remuneration, please see section 3 of the Corporate governance chapter.

Awards and recognitions

The performance of our Shareholder and Investor Relations team was recognised by prestigious industry publications such as IR Magazine and Institutional Investor and it gained prominent positions in the Extel survey.

Environmental commitment

In 2018 we have worked to reduce the carbon footprint - left as a result of the trips to and from the annual general meeting - by 52% compared to 2017. Likewise, this footprint has been offset continuing the programme established in 2016.

Social commitment

In collaboration with the Universia Foundation, in 2018 Santander awarded 58 Capacitas grants to shareholders and their families to support disabled people integrate into society and find work.



Engagement with shareholders, investors and analysts

The shareholder and investor relations team had the following priorities in 2018:

- Maintain continuous, fluid communication as well as the dissemination of relevant information to our stakeholders, fostering a flowing dialogue.
- Optimise and enhance the Group's reputation in the markets.
- Enhance personalised service to shareholders and seek their opinions.
- Facilitate the participation of shareholders at the general shareholders' meeting.
- Offer exclusive products and benefits through yosoyaccionista.santander.com website.

391,926

shareholder and investor consultations through studies and qualitative surveys

252

meetings with shareholders

+1,000

communications sent using mainly digital channels

1,134

contacts with institutional investors

166,149

queries managed by email, phone, WhatsApp and online meetings

53

meetings with ESG investors and analysts



Evaluation of Santander by ESG indexes and analysts

Santander sustainability performance is periodically evaluated by well regarded indices and ESG analysts.

These evaluations and their results are used internally to measure our performance and find improvement opportunities.

In 2018, our results stand out in the Dow Jones Sustainability Index, where Santander ranked third bank in the world and the first in Europe. Santander remains a constituent of the FTSE4Good Index Series.

Santander is also evaluated by ESG analysts such as Sustainalytics, Vigeo Eiris, ISS-oekom or MSCI.



Sustainability Award
Silver Class 2019



FTSE4Good

Others ESG analyst valuations¹

Rating/Scoring	2018	Vs. last year	2017	Vs. Sector average
ISS-oekom	C	=	C	>
MSCI	A	▲	BBB	>
Sustainalytics	70	▲	68	>
Vigeo Eiris	57	▲	46	>

1. Source, latest rating /scoring available at the end of reference period: Sustainalytic ESG Score relative to our peers at Nov 2018 and Dec 2017; ISS-oekom rating at Dec 2018 and Jan 2018. Vigeo Eiris ESG overall score at Dec 2018 and Dec 2016; MSCI ESG Ratings assessment (on a scale of AAA-CCC) Oct 2018 and Oct 2017.

Responsible procurement

Our suppliers throughout the world also have an impact on communities and the environment. So we expect our suppliers operate in an ethical way, upholding the ethical, social and sustainable standards as we do.

We have a model and policy for managing our suppliers, setting out a common methodology for all countries to follow when selecting, approving and evaluating suppliers. In addition to traditional criteria such as price and quality of service, sustainability issues are included in this methodology. Where necessary, both the supplier and Santander are advised to change processes and practices.

In 2018, we have strengthened the principles of responsible behaviour for suppliers, which have been included in our supplier certification policy. These principles establish the minimum principles that we expect from our suppliers in the areas of ethics and conduct, social matters (human rights, health and safety and diversity and inclusion) and the environment. These principles are aligned with the ten principles of the Global Compact.

Likewise, we have a whistleblowing channel for suppliers, through which any supplier that provides services to Banco Santander, S.A. or its subsidiaries are able to report inappropriate conduct by Group employees which breaches the framework of the contractual relationship between the supplier and Santander. This whistleblowing channel was implemented in Argentina, Brazil, Chile, Mexico, Portugal, Spain and United Kingdom. In 2018, channels were also established in two more countries where Santander Consumer Finance operates: Germany and Italy.

1. Supplier certification policy

In 2018, we reviewed our supplier certification policy, and strengthened our social and environmental criteria. According to this policy, a supplier is viewed positively if:

Certification:

- They have obtained official certifications related to quality, environment management, labour relations, prevention of occupational risks, corporate social responsibility or similar.

Sustainability standards:

- They have signed up to the Global Compact or have their own ethical, social and environmental principles with a periodic reporting.
- They have frameworks, policies, procedures, indicator records and/or related initiatives on environmental and social issues.

Code of conduct:

- They have a code of conduct and its corresponding governance (deployment, monitoring and control).

2. Risk control

- We have updated the risks criteria assessment, according to the Group policies in this area, related to cyber, data privacy, business continuity, facilities and security.
- In Spain, we have implemented a vendor risk assessment center in order to ensure a uniform application of our supplier certification, that will be implemented in other countries progressively during 2019 and 2020.

Country best practices



Santander Totta, certified as a family responsible company by the Màsfamilia Foundation, recommends that its suppliers adopt measures to improve the work-life balance of its employees.



Santander US, committed to diversity, works with business organisations that support minorities, women and disadvantaged and local companies in their supply chain.



Santander Brazil, in 2018, invited 250 suppliers to participate in the Carbon Disclosure Project Supply Chain.

Principles of Responsible Behaviour for Suppliers

Ethics and conduct

All actions by suppliers within the Group must be subject to the principles of transparency and honesty in any relationship they have with any public body and private individuals, and not be involved in any actions associated with bribery, influence peddling or any form of corruption in both the public and private sectors. They shall refrain from actions such as offering, giving or receiving commissions, gifts (with the exception of those that conform to social customs) or advantages of any kind that could be considered acts of corruption.

In addition, suppliers shall take all necessary measures to avoid conflicts of interest. The supplier shall avoid any relationship with Group management or any other person with decision-making or influence in relation to a contract or transaction that they are negotiating in their capacity as suppliers for Santander.

Santander also expects its suppliers to have internal ethical policies, standards or procedures that include at least compliance with local laws, anti-corruption measures and initiatives to ensure business integrity.

Social

Human rights: Santander expects its suppliers to work to support and respect the protection of human rights in accordance with the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of the International Labour Organization and the United Nations Guiding Principles on Business and Human Rights.

This means that suppliers must:

- Prohibit forced labour and ill-treatment of their employees. This includes a ban on all trafficking in human beings.

- Ensure the absence of child labour.
- Allocate a living wage sufficient to meet the basic needs of their employees and ensure compliance with the regulations in force in the countries where they operate.
- Ensure that working hours are not excessive and that the maximum working day complies with national legislation.
- Respect their employees' freedom of association.

Health and safety: Suppliers must comply with health and safety requirements to provide their employees with a safe and appropriate working environment.

Diversity and Inclusion: Suppliers must undertake to treat all their employees fairly and equally and not to discriminate on the basis of origin, race, sex, religion, opinion or any other personal or social condition or circumstance.

Environment

Banco Santander is firmly committed to environmental protection and the transition to a low carbon economy. Santander therefore invites all suppliers to join it in this commitment by:

- Having a sustainability or environmental policy that is aligned with the size and operations of the company and that addresses the prevention, mitigation and control of environmental impacts.
- Implementing environmental management systems.
- Setting targets for reducing emissions and consumption.
- Promoting continuous improvement.

Challenge 2:

Inclusive and sustainable growth

We play a major role
in supporting inclusive
and sustainable growth

Inclusive...

by meeting customers needs, helping entrepreneurs start companies and create jobs, strengthening local economies, tackling financial exclusion, and supporting people to receive the education and training they need.

Meeting the needs of everyone in society

We develop innovative, simple, and personalised solutions to respond to customers' demands and meet the needs of everyone in society.

Boosting enterprise

We develop products and services designed to cater for the needs of small and medium-sized enterprises (SMEs), to help them prosper, increasing employment and sharing wealth more broadly across society.

Financial empowerment

We develop products and services for the most vulnerable and hard pressed in society, giving them both access to financial services and the skills to manage their finances.

Support to higher education

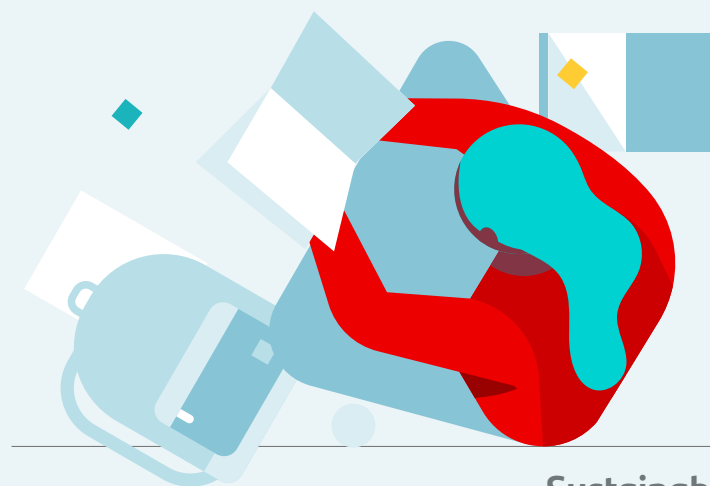
We have created a world leading network of universities, through which we help people access education and learn new skills.

Community investment

We run various social programmes to help local communities access childcare, financial education, art and culture.

Tax contribution

Wherever we operate, we pay our fair share in taxes, contributing to the growth and progress of the communities in which we are present.



Sustainable...

by financing renewables energies, supporting smart infrastructure in the developing world, as well as agrotech and green tech. We actively support the transition to a low carbon economy.

Sustainable Finance

We innovate to offer new financial products and services that integrate ESG criteria along three main lines: sustainable infrastructures, socially responsible investment and climate finance.

Analysis of environmental and social risks

We analyse and measure the social and environmental risks of our investments, as well as the opportunities that responsible products and services can bring.

Environmental footprint

We measure our environmental footprint and we are committed to reducing our environmental impact in the countries in which we operate.

Meeting the needs of everyone in society

We want to be the bank of choice for all customers, including those on low incomes and from vulnerable groups, offering them the services and products they need.

1|2|3 World and other engagement strategies

We offer a wide range of simple and innovative services and products that enable every customer to manage their finances in the best possible way.

- 1|2|3 World is our value proposition for individual customers in Portugal, Spain and the UK. It allows them to earn interest on their account balance and money back on spending, as well as other benefits. In Mexico, we also developed Santander Plus, the local version of 1|2|3.
- Santander Life, in Chile, offers an unprecedented value proposition for the middle and low income segments.
- In Argentina, the range of Super Account and Infinity accounts offers different solutions to meet the differing needs of our customers including unlimited movements without charge, savings on card purchases and other bonuses.
- Santander Bank, in the US, offers Simply Right Checking, a simple checking account with no hassles, and no surprises. Also we offer the Santander Basic Checking Account with no gimmicks, no minimum balance requirements, and a low, fixed monthly fee.

Credit to households

Loans to customers at December 31, 2018, net of impairment losses

millions euros

Residencial	314,017
Consumer loans	156,116
Other purposes	17,562
Total	487,695



Products & services for low income and vulnerable groups



Superdigital is a platform that allows customers to open a digital payments account with which they can operate in a matter of minutes, without needing to have a bank account. It provides simplified financial solutions and enables financial access to all users, including the unbanked and those residing in areas with little or no bank coverage.



Our Community Development Finance unit lends to projects that benefit low-to moderate-income individuals and communities, primarily through affordable housing projects, whereby tenants pay below market rent, and many units are earmarked to individuals with specific needs.



We help families with problems to cope with the payment of housing. Since 2011, we have helped more than 140,000 families with financial problems to continue paying their homes, with specific measures which include: the suspension of evictions to 9,362 families, without any eviction since November 2012; donations in payment to 13,760 families; and more than 134,100 refinancing and restructuring of 112,300 families and 21,800 companies mortgages. In addition, to facilitate access to housing, Santander has contributed 1,000 homes to the Social Housing Fund, of which 963 are for rent. On the other hand, we have in social rent other 568 houses with more affordable rents conditions for families in vulnerable situation. Santander was the first large financial institution to adhere to the code of good banking practices in March 2012.



All front-line and customer-facing employees are provided with additional training to help recognise and understand issues which might impact customers, particularly those customers who are dealing with (or facing) vulnerable situations.



SMART RED branches

Our branches are where we interact face-to-face with our customers. As part of our digital approach, we are renovating them to create a better customer experience with an innovative and functional design to make them more comfortable. We have stripped out architectural barriers to make them accessible to all and increased the technology available to provide a more agile and personalised service.



Offices

13,217

Digital Solutions



One Pay FX. Is a new blockchain-based service for international payments. It allows our customers to make international payments of up to EUR 11,000 per day, in a quick and easy way.



Mobile payments. We provide all available mobile payments for credit cards.



GPI Swift. This is a certification program for global payment solutions which speeds up, and makes it possible to track, international transactions.



Digitalisation (Super Net, Super Movil, Super Wallet) that improves online and mobile banking platforms to offer customers innovative and high-quality services.



ChatBot Customer Service. This is an automated customer service solution that uses artificial intelligence to understand and solve customer needs in real time.

Mobile
banking users

32 million

(Users of both internet and mobile banking count as one.)



Blockchain

We are playing an important role in the financial services blockchain community. One Pay FX was the first blockchain-based international transfer service launched for private customers in various countries. We are also a founding partner of the Enterprise Ethereum Alliance, Alastria, we.trade and Utility Settlement Coin.



Openbank

In 2018 Openbank, the largest digital bank by balance sheet size, increased its deposits by 19%, its number of credits by 90% and its number of customers by 8%, which already exceed one million users. We have launched new functionalities to meet our customers' expectations, such as a robo-advisor (an automated investment service) and a service to add accounts from other banks.

Boosting enterprise

Entrepreneurs and small businesses generate jobs and wealth that underpin inclusive societies. By helping them, we can help all society to prosper.

Santander SMEs

Our strategy to help SMEs reflects the different market conditions in the countries where we operate. We aim to help all sizes of businesses, both by lending and offering non-financial support - such as training and access to our networks. Our objective is not just to be an SME's bank, but its partner as it grows. We use our scale to help SMEs find new customers and enter new markets.

EUR 117,420

million in loans to SMEs and self employed professionals

New solutions in 2018

- In Mexico, Santander and the country's Secretariat of Economy signed an agreement to make it easier for entrepreneurs and SMEs to open digital accounts using a new system which will benefit 18,000 customers in 2019 alone.
- In Spain, Santander launched a fully digital onboarding service for companies, which streamlines the process. You can register from a computer, mobile phone or tablet in only five steps and with the same safety and compliance standards as the paper-based process.

Global digital solutions to boost SMEs growth

Santander Trade, support for Exporters.

To help companies export, we offer them free online information about markets, partners, regulations, currencies, and much more.

In addition, companies can access the entire network of the Group, as well as an exclusive community of more than three million exporting and importing business customers of Santander throughout the world.

Santander Trade also offers webinars and online seminars taught by the best experts. And it has a wide network of non-banking professionals to help companies trade globally.

Santander Cash Nexus, global connectivity.

This agile treasury management platform allows companies to digitise the management of liquidity, collection and payment transactions, as well as direct debits; and to centralise information through electronic channels. It combines our global service with a wide range of local services, all through a single online portal.

We.trade, simplification of operations.

In collaboration with eight other European banks and IBM, we have developed the first trading platform for commercial clients and their banks based on blockchain.

This platform offers companies a simple interface that takes advantage of the innovation of 'smart contracts' and opens the door to new business opportunities.

Santander won 'Most innovative use of blockchain in the financial sector 2018' award in the Blockchain Expo Europe.

Agreements with multilateral entities to boost financing to SMEs

In Spain in 2018 Santander signed four new agreements with the European Investment Bank (EIB) to provide financing to SMEs on advantageous terms, for a total amount of EUR 875 million.

In Brazil the Group also signed, with the Development Bank of Latin America, a line of credit for CAF SMEs controlled by women, for a total value of EUR 42 million.

In total, in the last 3 years, the Group has signed agreements with multilaterals such as EIB, EBRD, IFC, CEB and CAF to offer financing lines to SMEs in Spain, Brazil, Poland and Portugal for a total value of EUR 3,870 million.

Non financial solutions programs for SMEs



We also offer additional non financial solutions to boost the internationalisation, training, employment and digitalisation of SMEs.

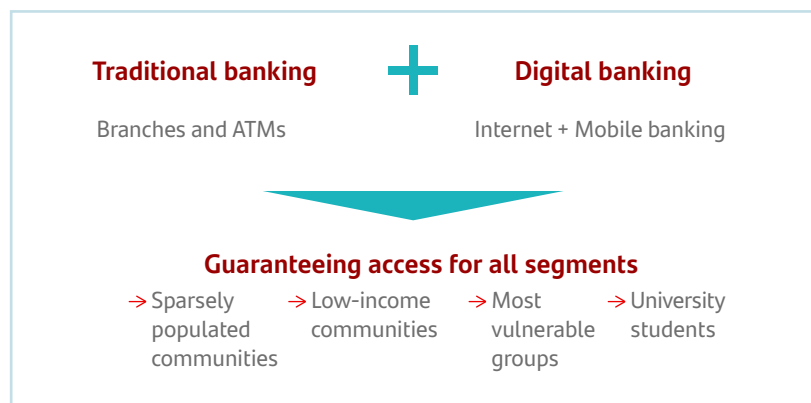
This includes basic and advanced business management courses, as well as lectures and masterclasses to improve their financial management skills, teaching them how to use the different financial tools and services available to them to promote and grow their

Financial empowerment

We help people get access to finance, set up or grow microbusinesses, and give them the skills to manage their finances.

Financial empowerment boosted by digital technology

We want to give everyone access to financial services, regardless of where they live, age or financial situation. Digital technology helps us to offer thousands of people not just a bank account, but also education in financial matters. Data helps us tailor our products and services to their individual needs. What's more, by banking online, our customers have the peace of mind that they don't need to carry cash - and can make payments more easily.



Example 1: Digital solutions

Superdigital is a Santander platform that allows users to make deposits, withdrawals and payments without the need to have a bank account.

Example 2: Working with others

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.

Example 3: Sparsely populated regions

In Spain, Santander has 526 branches and 114 agents establishments in sparsely populated regions with under 10,000 inhabitants.

Products and services that meet the needs of every community

We offer microfinance services to low income and underbanked entrepreneurs to help them set up small businesses, which are the driver of economic growth and social mobility.

EUR 160 million
in outstanding credit to
micro-entrepreneurs at
the end of 2018

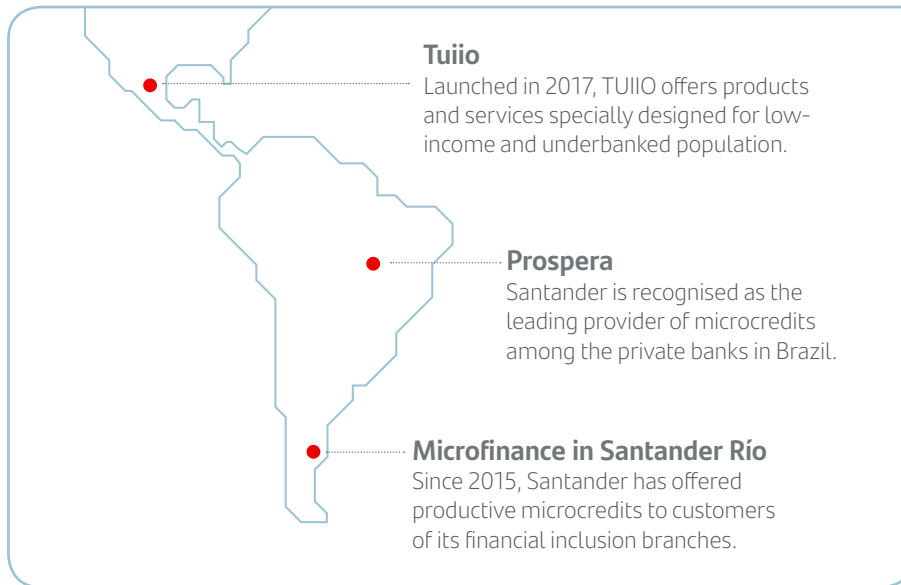
+273,000
micro-entrepreneurs
supported in 2018

Promoting financial education

Our objective is not merely to help people open bank accounts, but to ensure that they have the skills to manage their finances, and can make the right choices about the products and services that suit them.

+360,000
People benefited from
financial education
programmes in 2018

Main microfinance programmes supported by Santander



1,7 billion
unbanked people
in the world, of
which 200
million are in
Latin America.

Source: World Bank



- Productive and oriented microfinance model.
- Focus on those who do not have access to the formal financial system.
- Micro-loans are granted to neighbourhood groups composed of 3 or 4 micro-entrepreneurs.
- 65% microcredits are received by female heads of household.
- Average loan: 600 euros.
- Average term: 7 months.



- Financial inclusion program aimed at promoting a social impact in the communities.
- Focus on the support and development of productive activities.
- Micro-loans are granted to community groups composed of at least 8 micro-entrepreneurs.
- Average loan: 400 euros.
- Average term: 4 months.

Cleonice, Brazil.

Since when she was a little girl, Cleonice liked to see her mother sewing. She started helping her at an early age.

Today Cleonice makes clothes, has three employees, a shop and a sewing room. Prospera supported her with the renovation of her workshop and the purchase of more machines so that she could serve her customers faster.



Supporting higher education

Banco Santander is the world's largest corporate contributor to education¹. We have built a unique network of 1,235 universities worldwide, through which we support students, research and entrepreneurs.

EUR 121 million
to universities

1,235
agreements with
universities and other
academic institutions
in 33 countries

Main lines of action of Santander Universities

2018 metrics

1 ▶ Education
We have created the largest scholarship programme in the world financed by a private company, as we believe that education and people progress go hand in hand. Since 2002 we have invested more than EUR 1,700 million.

73,741
university study grants

2 ▶ Entrepreneurship
Santander X, aims to become the world's largest ecosystem for university entrepreneurship, connecting entrepreneurs with the three most valuable types of resources for them: talent, clients and financing. This helps them turn an idea into a company. To do this we promote collaboration between universities, the business sector and entrepreneurs themselves.

20,000
university entrepreneurs
supported

3 ▶ Employability
Universia is a digital platform of non-financial services for the university ecosystem. We offer career guidance and employment services, as we aim to be the main source of advice in the Ibero-American world for young talent management.

600,000
jobs intermediated in
7 countries^A

A. Estimate 40% of the total published vacancies in 2018.

Universia Foundation

Through scholarships, internships and employment, the foundation helps students with disabilities find work and integrate into society. Meanwhile, through the foundation, we have also supported numerous initiatives to

raise awareness of the challenges of disability, linked to culture and sports, with which we have reached more than 130,000 people.

In 2018:
603
university students with
disabilities received a
scholarship

153
people with disabilities were
included in employment

1. According to The Fortune 2018 Change the World list.

IV Universia International Rector's Meeting



In 2018 we held **IV Universia International Rector's Meeting** in Salamanca, Spain. The meeting brought together **600 rectors from 26 countries** representing 10 million university students around the world to discuss 'University, Society and Future'.

The conclusions are set out in the 'Salamanca Charter', a document that reiterates the universities' commitment to continue leading progress by reinventing and transforming themselves.



For more information visit
<https://en.universiasalamanca2018.com>



Santander scholarship programme

New Santander Scholarship website where the university community can find scholarships and grants for studies, mobility and research that will help them in their academic and professional development. Since its launch in July 2018, we have received more than 2.5 million visits.

We are committed to a vision of the future in which inclusion, equal opportunities and sustainability, will be the priorities that guide all our decisions.

Ibero-american mobility grant

José Rivera Contreras,
Universidad Católica de Norte, Chile

Thanks to an exchange programme with Spanish universities, run by Santander, he was able to focus on environmental law at The University of Zaragoza.

"Living in another country helps you to form professional connections and friendships with people from all over the world. Creating a network of contacts with people from all kinds of cultural and social backgrounds is amazing for your professional future. I have moved up a rung on the ladder thanks to the opportunity I was given by Santander."



See video

"In the next three years more than 200,000 students will receive a Santander scholarship, achieve a practice in an SME or participate in entrepreneurship programs led by your universities and supported by Santander"

Ana Botín, chairman of Banco Santander



For more information visit
www.becas-santander.com

Community investment

We encourage inclusive and sustainable growth through initiatives and programmes that support access to education, social entrepreneurship, employability and welfare in the communities where we operate.

EUR 58
million in social
investment

7,647
partnerships with NGOs
and social welfare
institutions

2.5¹
million people
helped



Commitment to childhood education

We conduct various activities that support educational projects focused in Latin America. For many years we have supported education projects in different countries, to provide equal opportunities for all children and support the sustainable development.

+600,000
children helped through
programmes to support
childhood education



Financial education

We support financial education programmes in partnership with local organisations to raise children's awareness of the importance of saving. This helps prepare young people for embarking on an independent life and to assist families when making basic financial decisions. We also run financial training workshops and masterclasses for our SME and self-employed professional customers to help them strengthen basic management skills.

+350,000
people helped through
financial education
programmes



Support for social welfare

We run several programmes to tackle poverty, vulnerability and social marginalisation. We also support programmes to prevent disease; and promote health and welfare programmes designed to help disabled people and their families.

+1 million
people helped through
programmes designed to
tackle social exclusion

1. 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.



Protection and dissemination of culture

And we support cultural initiatives mainly through:

- The 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.

+1 million
people benefited from art and
culture initiatives

Tax contribution

We support the progress of the communities where we operate, through a fiscal contribution consistent with our activity in each of them.

As a part of our way of understanding responsible banking, Santander pays its fair share in taxes in every jurisdiction where we operate, according to the value created by the bank. Our tax strategy, which has been approved by the Board, sets out the principles by which the entire Group operates. It is published on our website.

The tax risk management and control system in the Group different entities must comply with the principles established in this policy, reflecting the Group's internal control model, as well as on the evaluation and certification processes of the controls it incorporates.

Santander has been a member since 2010 of the Code of Good Tax Practices in Spain and the Code of Practice on Taxation for Banks in the United Kingdom, actively participating in cooperative compliance programs that are being developed by different Tax administrations.

Principles of the Group's tax strategy

Fulfill obligations tributaries making a reasonable interpretation of applicable rules that address its spirit and purpose.

Respect the rules on transfer prices, pursuing the adequate taxation in each jurisdiction based on the functions developed, risks assumed and benefits generated.

Do not provide any kind of advice or tax planning to customers in the marketing and sale of financial products and services.

Communicate transparently the total tax contribution of the Group, distinguishing for each jurisdiction the taxes of third-party taxes.

Do not create or acquire entities domiciled in offshore jurisdictions without the specific authorization of the board of directors, ensuring adequate control over the presence of the Group in these territories.^A

Pursue the establishment of a cooperative relationship with the Tax administration, based on the principles of transparency and mutual trust, which allows avoid conflicts and consequently minimize litigation in Courts.

A. See detailed information on off-shore entities in note 3 c) of the notes to the consolidated financial statements.

Tax contribution

Santander contributes economically and socially to the countries in which it operates by paying all taxes borne directly by the Group (own taxes¹) and collecting or withholding taxes from third parties generated through business activity, cooperating as required with the local tax authorities (taxes from third parties²).

Total taxes raised and paid by the Group in 2018 amount to EUR 16,658 million, of which EUR 7,056 million correspond to own taxes with the

remainder being taxes collected from third parties. Therefore, for every 100 euros of gross profit earned by the Group, 35 euros correspond to taxes paid and collected, as follows:

- 20 euros for the payment of taxes collected from third parties.
- 15 euros for own taxes paid directly by the Group.

1. Including net income tax payments, VAT and other non-recoverable indirect taxes, social security payments made as 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.

The taxes included in each year's income statement are largely income tax accrued in the period (EUR million 4,886 in the 2018 financial year, see page 440 of the consolidated annuals accounts, which represents an effective rate of 34.4% or, if the extraordinary results are discounted, EUR million 5,230, which represents a 35.4% cash rate – see note 52.c of the aforementioned report), non-recoverable VAT, social security contributions as employer, and other levies paid, regardless of the date these amounts are paid.

The Group's own taxes shown in the accompanying table are included in the cash flow statement. These magnitudes usually differ from each other, given that the date of payment established by the regulations of each country on numerous occasions does not coincide with the date of generation of the income or of the operation taxed by the tax. Thus, the effective rate that results when comparing the data on income tax paid (EUR million 3,458 according to the attached table) with the Group's pre-tax profit is 24.4%.

The payment of taxes occurs in those jurisdictions where the Group's profit is generated. Thus, 99% of the profits obtained, taxes accrued and taxes paid correspond to the countries in which the Group carries out its activity.

Total own taxes paid amounts to 50% of the profit before taxes. These own taxes include not only non-recoverable indirect taxes and contributions to public social security systems, but also other taxes that are exclusively levied on banking activities (such as bank levy in the United Kingdom, Poland and Portugal), and taxes imposed on financial transactions (in Brazil and Argentina among others) that have been increasing in recent years.

Tax disclosure by jurisdiction

EUR million

Jurisdiction	Own taxes			Third-party taxes	Total contribution
	Corporate income tax	Other own taxes paid	Total own taxes paid		
Spain	464	1,301	1,765	1,822	3,588
UK	537	495	1,032	447	1,478
Portugal	25	117	142	111	253
Poland	228	179	407	134	541
Germany	119	48	167	218	385
Rest of Europe	355	198	553	-35	518
Total Europe	1,728	2,338	4,066	2,697	6,761
Brazil	998	470	1,468	2,395	3,863
Mexico	322	202	524	488	1,012
Chile	202	61	263	304	567
Argentina	118	329	447	2,859	3,307
Uruguay	35	80	115	36	151
Rest of Latin America	20	12	32	13	45
Total Latin America	1,695	1,154	2,849	6,095	8,945
United States	29	104	133	800	933
Other	6	3	9	9	19
TOTAL	3,458	3,599	7,057	9,601	16,658

EUR 7,056 million
in own taxes

EUR 9,602 million
in third-party taxes

EUR 16,658 million
in total contribution

Sustainable finance

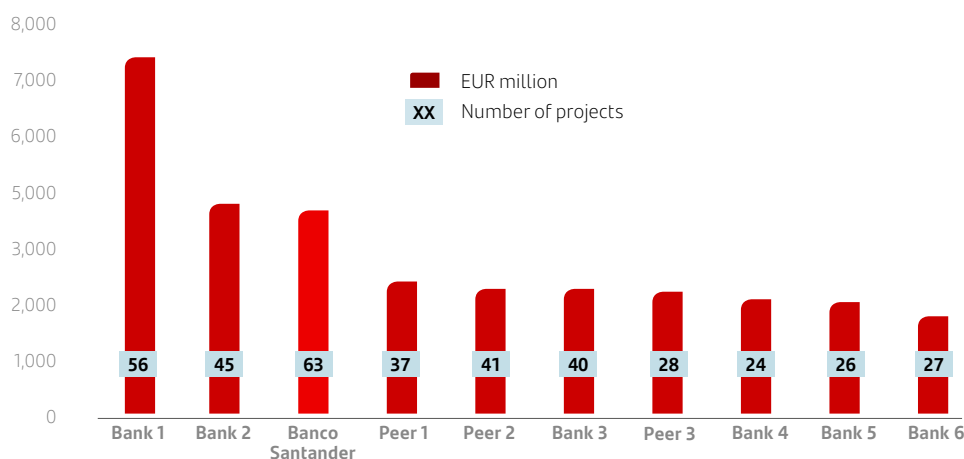
We support sustainable growth by financing renewable energy, supporting smart infrastructure and fostering research and development in new technologies. Our approach is building more balanced and inclusive economies and societies.

Climate Finance

We are supporting the development of renewables and the more efficient use of energy while helping our clients make the transition to a low carbon economy. At the same time, the need to take measures to adapt and mitigate

climate change presents significant investment opportunities, which we are ready to seize by taking positive action against climate change.

Financing of renewable energies ranking^{1,2}



1. As indicated by Dealogic and Bloomberg New Energy Finance league tables for project financing within the Lead Arranger category.

2. Peers are considered those banks that due to their size and market capitalization are comparable to Santander. The peers' list includes: Bank of America, Barclays, BBVA, BNP Paribas, Citi, Deutsche Bank, HSBC, Intesa San Paolo, ING, ITAÚ, JP Morgan Chase, Lloyds Bank, Societe Generale, Standard Chartered, UBS, UniCredit, Wells Fargo.

Santander Corporate & Investment Banking (SCIB) named project finance bank of the year in Europe by Project Finance International

SCIB was named project finance bank of the year in Europe by PFI thanks to its extensive activity and the range of financing and advisory services provided during 2018, as Santander expanded its project finance expertise through a mix of infrastructure and energy deals in Europe.

Santander Corporate & Investment Banking was particularly active in the UK, funded projects in Belgium, advised others in France and was a pioneer in financing wind farms in Spain, Portugal and Continental Europe.

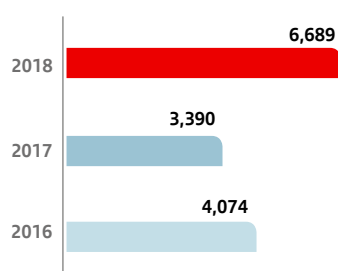





Finance for renewable energy and energy efficiency

As a major financier of energy production infrastructure, we understand that the banking sector has to play a particularly prominent role in the transformation of the energy sector. In recent years we have consistently increased our financing of renewable energy projects.

Financing of renewable energy

(MW financed)

**Breakdown of MW financed by type of renewable energy**

	Wind energy	88%	81%	77%
		2016	2017	2018
	Solar energy	8%	19%	22%
		2016	2017	2018
	Other ^A	4%	–	1%
		2016	2017	2018

In 2018, Santander participated in the financing of renewable energy projects, with a generation capacity equivalent to the consumption of 5.7 million households.^C

Breakdown of renewable MW financed by country in 2018**Green bonds & ESG loans**

Through our Santander Corporate & Investment Banking division we act as joint bookrunner in numerous emissions of green & sustainable bonds and EGS loans.

In 2018, we have participated in green bond emissions for a total value of EUR 730 million^B, and in EUR 2,017 million in ESG syndicated loans

A. Include hydroelectric for 2016 and biomass for 2018.

B. Information includes green, social and sustainable Bond and has been obtained from Dealogic Green Bonds League table.

C. Equivalence calculated 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).

Credit lines with multilateral entities

In Spain, in 2018 Santander has signed a credit line of EUR 200 million for the construction of renewable energy plants with the Development Bank of the Council of Europe. This loan is part of the "Europe 2020" plan in Spain for renewable energy.

In Brazil, Santander has also signed a line of credit in 2018, in collaboration with the Development Bank of Latin America CAF, to finance the purchase of photovoltaic equipment for a total value of USD 84 million.

In Poland, Santander has signed a EUR 50 million line of credit with the European Bank for Reconstruction and Development (EBRD) to finance energy efficiency investments in local companies. Likewise, the EBRD subscribed the equivalent of EUR 36 million of subordinated debt issued in Polish currency by Santander Bank Polska, with Santander's commitment to allocate the resources to finance residential and commercial construction with energy efficiency certifications.

In 2018 we signed agreements for a total value of EUR 345 million to offer financing lines for energy efficiency and renewable energy projects. In the last 3 years, we signed agreements for a total value of EUR 1,080 million¹ in Spain, Brazil, Poland and Peru.

Financing low-emission, electric and hybrid vehicles

We concentrate efforts on shifting the automotive sector towards a low-carbon economy through services such as vehicle leasing and renting, to promote the use of hybrid or electric cars in the countries where it operates.

- In Spain Santander finances a fleet of 24,665 vehicles. In 2018, we financed 7,463 transactions.

Partnering for a greener mobility



We offer an emission offset tool in Brazil to all customers who take out a loan to finance the purchase of a car. Since 2015 we have sponsored a bike sharing scheme in London, and more recently in Boadilla del Monte, close to our headquarters in Madrid.

Funding sustainable agriculture and livestock farming

We fund agricultural initiatives that promote the sustainable agricultural practices.

Bunge, Santander Brasil and The Nature Conservancy have joined forces to offer soy farmers long-term loans to expand production without clearing native habitat in the Brazilian region of Cerrado.

Santander Spain launched app agro: this brings farmers breaking news about agriculture, especially news related to government subsidies and information about crop prices as well as agricultural products. So far it has been downloaded 30,000 with 11,000 active users in 2018. It was voted best agro app of the Spanish financial sector.

1. Agreements signed with EIB, EBRD, IFC, CEB, and CAF among others.

Socially Responsible Investment

Santander Asset Management is fully committed to socially responsible investment (SRI), and is undertaking the following initiatives:

- **Investment.** When we analyse and invest our SRI products, we combine financial criteria with non-financial criteria (ESG) to select assets.

Currently we manage nine SRI funds, seven in Spain (Inveractivo Confianza, Santander Responsabilidad Solidario, Santander Solidario Dividendo Europa, the three funds of the new Santander sustainable range, and the new Santander Equality Acciones fund), one in Brazil (Fundo Ethical), and a new one in Portugal (Santander Sustentável Fund).

- **Training.** We collaborate with universities and educational centers, organising and participating in events and training days in SRI.
- **Dissemination and development.** We participate in initiatives and organisations to help spread SRI, and which enable different organisations share best practice and understanding.
- **Social impact investment.** We work with NGOs, and indirectly with our social responsible investment products, to support initiatives which help those who are at risk of social exclusion.

In addition, both Santander Pensiones SA SGFP in Spain (since 2010) and Santander Asset Management Brazil (since 2008), are signatories to the United Nations principles for responsible investment (PRI).

Santander employees' pension fund in Spain is also a signatory to this initiative, and in 2018 participated in an initiative promoted by the United Nations to require governments to do more to tackle climate change.



New Santander Sostenible range

Santander Sostenible is the latest innovation of Santander Asset Management. The investment process aims to identify those issuers that are best prepared to face the challenges of the future, and does so by applying an analysis of four sustainability axes: financial, environmental, social and corporate governance. It is composed of three funds:

- Santander Sostenible 1
- Santander Sostenible 2
- Santander Sostenible Acciones



Santander Equality Acciones

Launched in 2018, this is the first investment fund in Spain that invests in companies that promote gender equality at all levels of their operations, while also presenting good opportunities for financial returns.



Santander Totta launches Santander Sustentável Fund

The Santander Sustentável Fund follows a conservative investment policy, with the portfolio composed mainly of bonds. In addition to the usual financial criteria, our managers analyse the performance of around 900 companies and 90 countries, through a study of more than 100 indicators of three sustainability areas: environmental, social and corporate governance.



For information on socially responsible
Investment visit:
www.santanderassetmanagement.es.

Analysis of environmental and social risks

Within the framework of our sustainability policies, we analyse the environmental and social risks of all our project finance deals.

At Santander we attach great importance to the environmental and social risks which might result from our customers' activities in sensitive sectors.

And we respects international best practices regarding social welfare and the environment, particularly the Equator Principles, as signatory since 2009.

Equator Principles

In 2018, 35 projects were analysed 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.

UNEP FI pilot project on implementing the TCFD recommendations for banks





In 2017 Santander – together with 15 other leading banks – joined this initiative to develop models and metrics to enable scenario-based, forward-looking assessment and disclosure of climate-related risks and opportunities.

In 2018 two documents were published: the first, guidance focusing on transition risk (Extending Our Horizons: Accessing credit risk and opportunity in a changing climate); and, second, a report that helps banks assess risks and opportunities arising from physical risk (Navigating a New Climate).

Sector policies

The Group has approved specific sectoral policies that contain the criteria for analysing environmental and social risks in customers' activities in sensitive sectors, such as defence, energy, soft commodities and mining & metals or other policies carried out in this respect.

Equator Principles

Category	Project Finance		
	A	B	C
TOTAL	4	25	6
 Sector			
Infrastructures	1	2	2
Oil & gas	3	2	0
Energy	0	16	2
Real estate	0	3	2
Others	0	2	0
 Region			
America			
United States	0	9	3
Mexico	0	3	2
Chile	0	3	0
Colombia	1	0	0
Peru	0	1	0
Europe			
United Kingdom	0	6	0
Italy	0	0	1
Spain	0	2	0
Asia			
Oman	1	0	0
Kuwait	1	0	0
Azerbaijan	1	0	0
Arab Emirates	0	1	0
 Type			
Designated countries ¹	0	20	4
Non-designated countries	4	5	2
 Independent review			
Yes	4	24	6
No	0	1	0

1. 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.



Control and monitoring of controversial projects - Punta Catalina

Design, engineering & construction of a coal-fired power plant in the Dominican Republic. The debtor is the Ministry of Finance, the Dominican Corporation of State Electric Companies being the importer. And Santander participates in the syndicated financing of the equipment.

The due diligence processes at the outset of the project met with the energy policy in force and other environmental and social requirements.

Nevertheless, the project has been controversial due to corruption issues. Santander has elevated the case to executive level for

detailed follow up. In addition, Santander maintains an ongoing dialogue with the NGOs involved, having responded to their letters. The internal procedure to respond to NGOs has been applied engaging different relevant areas within the Group, like compliance, risk, business & sustainability amongst others. A continuous dialogue is also maintained with the syndicate regarding the environmental, social & ethical issues arising from this project.

Sectorial policies update



Defence policy: has been updated in accordance with the EC decision regarding the exclusion criteria based on activities related to prohibited material instead of clients.



Energy policy: includes the new criteria for coal power plants.



Mining & Metals policy: includes the new criteria for coal mining.



Soft Commodities policy: includes its alignment with the Soft Commodities Compact, the Banking Environmental Initiative which Santander adhered in 2009, since the obligation for clients to be certified by 2020 has been removed.

Environmental footprint

We are firmly committed to contribute to the protection of the environment by reducing our own environmental footprint.

We believe that measuring, reporting and reducing our environmental impact is essential not just for reasons of compliance, but if we are to earn the loyalty of all our stakeholders.

Since 2001, we have been measuring our environmental footprint by quantifying energy consumption, waste and atmospheric emissions. And since 2011 the Group has implemented strict criteria through different energy efficiency and sustainability plans to ensure its environmental impact is kept to an absolute minimum.

In 2016 we launched the 2016-2018 efficiency plan which comprised more than 250 initiatives with an investment of 69,8 million of

euros, focusing on energy savings, saving raw materials, waste reduction, emission reduction and awareness campaigns.

Looking ahead, the Bank maintains its firm commitment to the environment, and will continue to establish more ambitious objectives that will help reduce its consumption, its waste generation and its emissions in its own business operations. To do so, we are going to implement a new energy efficiency and sustainability plan for the period 2019-2021. Optimization of office space, increase of the amount of green energy and more environmental management systems are some of the initiatives in which the countries will be working on.

2016-2018 efficiency plan

	▶ Electricity consumption	▶ Greenhouse gas emissions	▶ Paper consumption	2016-2018 efficiency plan targets
Target	Reducing electricity consumption in buildings -9% in G10 countries.	Reducing greenhouse gas emissions -9% in G10 countries.	Reducing paper consumption -4% in G10 countries.	👍
Achievement	-9%	-9%	-26%	100%

2016-2018 efficiency plan

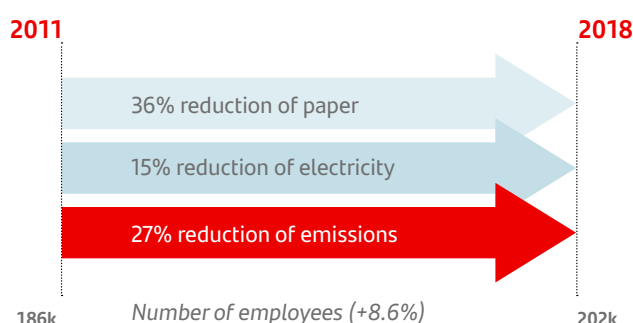
2011-2013 Energy Efficiency Plan

- Emissions of CO₂: a 3.5% reduction in the first year, and a 9% reduction up to 2013 in the G5.
- Electricity consumption: a 3% reduction in the first year in G20 countries.

2012-2015 Energy Savings Plan

- Emissions of CO₂: a 20% reduction of emissions in G10 countries.
- Electricity consumption: a 20% reduction of electricity consumption in G10 countries.

Result of plans



2018 main highlights



100% green energy in all of the office buildings and branches of Santander in Germany, Spain and United Kingdom. United States and Brazil also acquire green energy for some of their facilities' consumption.

In 2018 new buildings have been certified according to international LEED and ISO 14001 standards:

- **LEED GOLD certification** in SCF Germany headquarters building at Mönchengladbach, in Santander DPC in Spain and in and new Santander Spain headquarters.
- **ISO 14001 certifications** in corporate buildings in City of Mexico and Querétaro in Mexico.

As well as this, we have certifications for the head office buildings in the main countries where Santander operates. Santander considers that the implementation of an environmental management system in buildings creates a correct and environmentally friendly performance, while improving the building's use.

2018 environmental footprint¹

Var. 2017-2018 (%)		Var. 2017-2018 (%)	
2,956,420 M³	2.9	379,988 T CO₂ teq	-0.5
water consumed		total emissions (market based)	
1,077 MILL. KWH	 50%	Scope 1	31,227 T CO₂ teq
total electricity	renewable energy	direct emissions	
16,764 T	 86%	Scope 2	223,920 T CO₂ teq
total paper consumed	recycled or certified paper	indirect electricity emissions (market based)	
7,656,046 KG	-14.7	364,682 T CO₂ teq	
paper and cardboard waste		indirect electricity emissions (location based)	
4,404,809 GJ	-2.6	Scope 3	124,840 T CO₂ teq
total internal electricity consumption		indirect emissions from employees travelling to work	

1. The environmental footprint table with 2-year historical data and the consumptions and emissions per employee can be found in the 'Key Metrics' section.

Key Metrics

Employees

1. Employees by geographies and gender¹

Geographies	Nº employees	% men	% women	% graduates
Spain	30,868	54	46	73
Brazil	45,179	43	57	79
Chile	11,614	46	54	42
Poland	12,403	30	70	86
Argentina	9,000	50	50	23
Mexico	19,096	46	54	49
Portugal	6,499	55	45	55
UK	18,297	40	60	22
USA	16,783	42	58	15
SCF	12,642	46	54	34
Other	20,332	49	51	31
Total	202,713	45	55	52

1. The employee data presented is broken down according to the criteria of legal entities, and is therefore not comparable to that found in the Auditors' report and annual consolidated accounts, which are presented by management criteria.

2. Functional distribution by gender

	Senior officers			Other managers			Other employees		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Continental Europe	913 (77.8)	260 (22.2)	1,173	6,735 (64.5)	3,711 (35.5)	10,446	26,173 (44.4)	32,759 (55.6)	58,932
United Kingdom	107 (73.3)	39 (26.7)	146	1,309 (67.2)	640 (32.8)	1,949	9,218 (39.9)	13,862 (60.1)	23,080
Latin America and other regions	523 (83.9)	100 (16.1)	623	6,427 (60.2)	4,256 (39.8)	10,683	40,729 (42.6)	54,952 (57.4)	95,681
Group total	1,543 (79.5)	399 (20.5)	1,942	14,471 (62.7)	8,607 (37.3)	23,078	76,120 (42.8)	101,573 (57.2)	177,693

3. Workforce distribution by age bracket

Number and % of total

	aged <= 25	aged 26 - 35	aged 36 - 45	aged 46 - 50	age over 50
Continental Europe	2,352 (3.33)	14,715 (20.86)	27,241 (38.61)	10,739 (15.22)	15,504 (21.98)
United Kingdom	3,964 (15.75)	7,092 (28.17)	6,470 (25.70)	2,810 (11.16)	4,839 (19.22)
Latin America and other regions	11,474 (10.72)	46,233 (43.21)	29,553 (27.62)	8,637 (8.07)	11,090 (10.37)
Group total	17,790 (8.78)	68,040 (33.56)	63,264 (31.21)	22,186 (10.94)	31,433 (15.51)

4. Distribution by type of contract¹

	Permanent / Full time			Permanent / Part-time		
	Men	Women	Total	Men	Women	Total
Continental Europe	32,252 (49.7)	32,604 (50.3)	64,856	348 (17.3)	1,662 (82.7)	2,010
United Kingdom	9,580 (53.5)	8,338 (46.5)	17,918	622 (9.8)	5,711 (90.2)	6,333
Latin America and other regions	45,950 (44.8)	56,591 (55.2)	102,541	204 (25.6)	594 (74.4)	798
Group total	87,782 (47.4)	97,533 (52.6)	185,315	1,174 (12.8)	7,967 (87.2)	9,141

	Temporary / Full time			Temporary / Part-time		
	Men	Women	Total	Men	Women	Total
Continental Europe	966 (33.2)	1,942 (66.8)	2,908	255 (32.8)	522 (67.2)	777
United Kingdom	380 (49.5)	387 (50.5)	767	52 (33.1)	105 (66.9)	157
Latin America and other regions	1,249 (46.5)	1,436 (53.5)	2,685	276 (28.7)	687 (71.3)	963
Group total	2,595 (40.8)	3,765 (59.2)	6,360	583 (30.7)	1,314 (69.3)	1,897

1. Regarding indefinite contracts, 84% corresponds to "Other employees" and the remaining 12% to "Senior officers" and "other managers". Also, in relation to temporary contracts, 3.5% corresponds to "Other employees" and the remaining 0.5% to "Senior officers" and "other managers".

The totality of temporary contracts is in the age brackets <25 and 25-35 years. The rest of the age brackets correspond to indefinite contracts.

5. Employees who work in their home country¹

	%		
	Managers	Other employees	Total
Continental Europe	89.77	96.83	96.72
United Kingdom	92.47	96.89	96.87
Latin America and other regions	88.44	98.94	98.88
Group total	89.55	97.96	97.88

1. United States data not included.

6. Differently-abled employees ratio by region¹

	%	
Continental Europe	1.24	
United Kingdom	1.61	
Latin America and other regions	2.09	
Group total	1.73	

1. United States and Mexico data not included.

6. Differently-abled employees¹

Spain		365
Rest of the Group		3,071
Total Group		3,436

1. United States and Mexico data not included.

7. Coverage of the workforce by collective agreement

	%	Nº Employees
Spain	99.94	30,848
Brazil	94.13	42,529
Chile	100.00	11,614
Poland	0.00	-
Argentina	99.00	8,910
Mexico	20.05	3,829
Portugal	99.40	6,460
UK	100.00	18,297
US	0.00	-
SCF	50.22	6,349
Other business units	70.31	14,295
Total Group	70.61	143,131

8. Distribution of new hires by age bracket

% of total

	aged <= 25	aged 26-35	aged 36-45	aged over 45	aged > 50
Continental Europe	23.79	44.73	23.50	4.69	3.30
United Kingdom	47.81	28.51	13.39	4.09	6.20
Latin America and other regions	33.84	44.04	15.19	3.49	3.44
Group total	33.67	41.72	16.89	3.87	3.85

9. Distribution of dismissals by gender¹

	Men	Woman	Total
Senior officers	68	26	94
Other managers	375	189	564
Managers	3,087	3,681	6,768
Total Group	3,530	3,896	7,426

	Men	Woman	Total
aged <=25	382	492	874
aged 26-35	1,071	1,310	2,381
aged 36-45	884	1,028	1,912
aged 46-50	395	343	738
aged >50	798	723	1,521
Total Group	3,530	3,896	7,426

1. Dismissal: unilateral termination, decided by the company, of an employment contract not subject to term expiration. The concept includes encouraged redundancies within the context of restructuring processes.

10. External turnover rate by gender¹

%

	Men	Women	Total
Continental Europe	12.32	12.48	12.41
United Kingdom	16.39	14.17	15.10
Latin America and other regions	17.99	17.01	17.45
Group total	15.70	15.10	15.37

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

Key Metrics

11. External turnover rate by age bracket¹

% of total

	aged <= 25	aged 26-35	aged 36-45	aged 46-50	aged over 50	Total
Continental Europe	40.01	16.15	8.68	7.46	14.43	12.41
United Kingdom	35.72	15.74	8.75	6.48	10.52	15.10
Latin America and other regions	25.73	17.16	13.72	15.49	21.45	17.45
Group total	29.84	16.75	11.04	10.46	16.31	15.37

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

12. Employees average remuneration by gender

Euros

	By gender		By professional category			Total
	Men	Women	Senior officers ²	Others managers	Other employees	
Total remuneration (average) ¹	51,855	32,900	418,105	87,167	32,906	41,522
Variación 2018 vs. 2017	0%	4%	3%	-8% ³	5%	2%

1. Data at end of 2018. The total remuneration of employees includes annual base salary, pensions and variable remuneration paid in the year.

2. Includes Group Sr. Executive VP. Executive VP and Vice President.

3. The variation includes the effect of internal reclassification between the category and the rest of employees carried out in different geographies.

4. The average remunerations for age brackets are not broken down since the employee remuneration criteria are established according to their professional category, job responsibilities and competences. In this sense, age is not a material factor in determining the remuneration of Santander Group employees for the specificities of the financial sector.

13. Ratio between the Bank's minimum annual salary and the legal minimum annual salary by country

	% Legal minimum wage
Germany	228.49%
Argentina	336.53%
Brazil	183.12%
Chile	111.63%
US	193.02%
Spain	212.58%
Mexico	130.23%
Poland	107.14%
Portugal	206.90%
UK	102.43%

14. Training

	2018	2017
Total hours of training	6,842,825	8,016,912
% employees trained	100.0	95.9
Total attendees	4,700,013	5,297,451
Hours of training per employee	33.76	39.6
Total investment in training	98,689,210	97,787,322
Investment per employee	486.84	483.5
Cost per hour	14.42	12.2
% female participants	54.4	54.6
% of e-learning training attendees	90.0	48.1
% of e-learning hours	48.1	93.3
Employee satisfaction (up to 10)	8.0	8.1

15. Hours of training by category

	Hours	Average
Senior officers	69,358	35.71
Managers	764,104	33.11
Other employees	6,009,363	33.82
Group total	6,842,825	33.76

16. Hours of training by gender

	Average
Men	34.27
Women	33.37
Group total	33.76

17. Absenteeism by gender and region¹

%

	Men	Women	Total
Continental Europe	1.85	4.36	3.18
United Kingdom	3.65	5.14	4.54
Latin America and other regions	3.05	4.22	3.70
Group total	2.64	4.40	3.61

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

18. Work-related illness rate^{1,2}

%

	Men	Women	Total
Continental Europe	0.07	0.09	0.08
United Kingdom	0.01	0.05	0.03
Latin America and other regions	0.66	0.95	0.83
Group total	0.36	0.53	0.45

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

2 The frequency and severity of work accidents are not detailed due to the low value they represent.

19. Occupational health and safety

No. of fatal occupational accidents	4
Hours of absenteeism (hours not worked due to common illness and non-work accident) (millions of hours).	10,164,315

Customers

20. Group customers¹

Million	
Spain	17.3
Portugal	4.9
UK	25.5
Poland	4.5
SCF	19.4
Rest of Europe	0.1
Total Europe	71.7
Brazil	42.1
Mexico	16.7
Chile	3.5
Argentina	3.7
Rest of Latin America	0.9
Rest Latin America	66.9
US	5.2
Total Group	143.8

1. 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".

Key Metrics

21. Dialogue by channel

	2018	2017	Var.
Branches			
Number of branches	13,217	11,920	11%
ATMs			
Nº ATMs	38,503	35,700	8%
Digital banking¹			
Users ²	32.0	25.4	26%
Visits	6,302	4,271	48%
Monetary transactions ³	1,843	1,129	63%

1. Santander Consumer Finance not included.

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

3. Millions.

22. Customer satisfaction

% satisfaction among active retail customers

	2018	2017	2016
Spain	87.1	85.5	85.0
Portugal	91.3	91.4	91.9
UK	97.0	96.0	96.2
Poland	97.5	95.9	96.0
Brazil	79.6	77.9	74.8
Mexico	97.8	96.4	94.1
Chile	85.8	91.6	95.9
Argentina	83.3	87.1	87.1
US	83.3	81.8	84.6
Total	88.0	88.0	87.5

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).

23. Total complaints received

	2018	2017	2016
Spain ¹	85,519	107,103	34,920
Portugal	4,298	4,275	5,028
United Kindom ²	33,797	37,746	39,926
Poland	4,480	4,785	4,501
Brazil ³	111,829	101,589	88,623
Mexico ⁴	60,740	51,895	48,524
Chile ⁵	6,171	5,526	5,562
Argentina ⁶	5,464	4,372	2,838
US	4,160	4,041	2,477
SCF	29,067	30,126	33,027

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. Even Popular Bank complaints have been included, in Spain complaints inflow has decreased due to the effects of Supreme Court Ruling related to set up mortgages fees.

2. In UK complaints volumes reduced due to the new approach of complaints management model adopted across all frontline areas, as well as improvements on complaints root cause analysis governance.

3. In Brazil complaints inflows have increased mainly due to fees, charges not recognised, and direct debits.

4. In Mexico complaints are increasing mainly due to fraud cases, especially e-commerce, and debt collecting (REDECO Channel).

5. Chile shows a slight increase mainly due to fraud cases, especially online cases.

6. In Argentina Complaints volumes increased due to fees and fraud cases.

Environment and climate change

24. Environmental footprint 2016-2017¹

	2018	2017	Var. 2017-2018 (%)
Consumption			
Water (m ³) ²	2,956,420	2,872,853	2.9
Water (m ³ /employee)	15.24	14.68	3.8
Normal electricity (millions of kwh)	557	639	-12.8
Green electricity (millions of kwh)	462	473	-2.4
Total electricity (millions of kwh)	1,019	1,112	-8.4
Total internal energy consumption (GJ)	4,314,890	4,522,999	-4.6
Total internal energy consumption (GJ/employee)	22.24	23.11	-3.8
Total paper (t)	16,764	20,010	-16.2
Recycled or certified paper (t)	14,583	16,969	-14.1
Total paper (t/employee)	0.09	0.10	-15.5
Waste			
Paper and cardboard waste (kg) ³	7,656,046	8,972,420	-14.7
Paper and cardboard waste (kg/employee)	39.46	45.84	-13.9
Greenhouse gas emissions			
Direct emissions (CO ₂ teq) ⁴	37,635	29,108	29.3
Indirect electricity emissions (CO ₂ teq)-MARKET BASED ⁵	213,815	226,455	-5.6
Indirect electricity emissions (CO ₂ teq)-LOCATION BASED ⁵	354,745	374,346	-5.2
Indirect emissions from displacement of employees (CO ₂ teq) ⁶	124,778	126,287	-1.2
Total emissions (CO ₂ teq)- MARKET BASED	376,229	381,849	-1.5
Total emissions (CO ₂ teq/employee)	1.94	1.95	-0.6
Average number of employees	194,027	195,732	-0.9

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 in a consolidated manner.

2. Only consumption of mains water is reported.

3. 2017 and 2018 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 2018 DEFRA emission factors have been applied for 2018 emissions and 2017 DEFRA for 2017. The variation is due to the consideration of the emissions derived from the use of own vehicles in Mexico.

5. These emissions include those resulting from electricity consumption and correspond to Scope 2 defined by the standard GHG Protocol. In 2017 and 2018, IEA (International Energy Agency) 2015 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 140,762 tons of CO₂ equivalent in 2018 and 147,892 in 2017. 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 2018 DEFRA conversion factors have been applied for 2018 emissions and 2017 DEFRA for 2017.

· 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 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, US, 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.

Contribution to UN Sustainable Development Goals

All social agents, including companies, have a responsibility to contribute to the Sustainable Development Goals (SDG) of the United Nations. We contribute directly to achieving the SDGs through our business activities and also through our community investment programmes.

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



We support the health and well-being of our employees and the communities in which we are present

- BeHealthy Program: access for employees to information and training to improve and renew healthy living habits. Access to more than 40,000 affiliated health and welfare centers around the world.
- Support to the community: +1 million people helped through programs designed to address social exclusion and boost the well-being of people.



We invest more in support for education than any other private company in the world. And we promote the largest private scholarship program in the world.

- More than 1,200 universities with which we maintain agreements.
- More than 70,000 scholarships and grants awarded to students in 2018. The largest private scholarship program in the world.

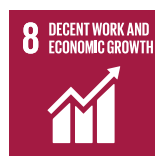
Santander X, our international university entrepreneurship project, chosen as good practice by the Spanish Network of the Global Compact to achieve the SDGs in 2030.



We promote a diverse and inclusive workforce that reflects society and allows us to face future challenges.

- New general principles on diversity and inclusion that provide global guidelines and minimum standards.
- 54.5% of women in the workforce, 20.5% of women in management positions.

For the second consecutive year, Santander has obtained the highest score among the 230 companies that are part of the Bloomberg Gender-Equality Index.



We have a prepared and committed team that allows us to respond and meet the needs of customers, help entrepreneurs to create businesses and employment, and strengthen local economies.

- 94.6% of employees with a fixed contract
- 8.6% of the staff promoted.
- Flexiworking: incorporates multiple conciliation initiatives.

In 2018 we received the Top Employers Europe 2018 certification and occupied one of the first three positions in the ranking of the best financial institutions to work for in Latin America in 2018, according to Great Place to Work.



We develop products and services for the most vulnerable in society, giving them access to financial services and teaching them how to use these in an appropriate way to manage their finances in the best possible way

- 160 million euros in loans granted at the end of 2018.
- More than 2,730,000 micro-entrepreneurs helped.

The Prospera microfinance program in Brazil, chosen as good practice by the Brazilian Global Compact Network to achieve the SDGs in 2030



We finance SMEs and self-employed professionals who boost local economies, generate wealth and create employment opportunities.

- 117,420 million euros in loans to SMEs and the self-employed.
- Agreements with multilateral entities such as the EIB and the CAF to boost financing to SMEs.
- Global digital solutions that promote connectivity between companies, help export and offer more innovative and simple platforms to operate.
- We invest in fintechs that promote financial technology and facilitate access to and use of financial services.



We promote sustainable consumption both in our own operations as well as with our clients.

- Environmental footprint: 25.9% reduction in paper and 13.5% reduction in electricity from 2016 to 2018. In 2018, 53% of the energy consumed by Santander was renewable energy.
- Environmental and social risks analysis: 35 projects financed under Equator Principles criteria.
- Responsible procurement: New principles of responsible behavior of suppliers; 95% Local group's suppliers



We support the fight against climate change and the transition to a low carbon economy. And we commit ourselves to actively contribute to the protection of the environment.

- 6,689 MW of renewable energy financed, equivalent to the consumption of 5.7 million households.
- Agreements with multilaterals for the financing and development of energy efficiency projects
- Financing of vehicles with low CO₂, electric and hybrid emissions
- Updated sector policies with new thermal coal prohibitions.



We participate actively and we are part of the main initiatives and working groups at local and international level as an important way to support SDG 17 on partnerships for the goals.

- **World Business Council for Sustainable Development (WBCSD).** Our president, Ana Botín, is a member of the executive committee. And we participate in the WBCSD Future of Work initiative, by looking into how to adapt our own business and human resource strategy to evolve with the digital age.
- **Banking Environment Initiative (BEI).** We participate in two climate related work streams, the Soft Commodities Compact and the new initiative Bank 2030 which aims to build a roadmap for the banking industry to 2030 seeking to increase the financing to low carbon activities.
- **UNEP Finance initiative.** Together with 27 other banks, we promote the principles for responsible banking of the United Nations. We also participated along with other 15 banks in 2018 in the UNEP FI pilot project on implementing the TCFD recommendations for banks.
- **United Nations Global Compact.** We are committed to the development of our business activity with the ten principles of the Global Compact and we extend them to our value chain, demanding our suppliers to assume and also comply with them.
- **CEO Partnership for Financial Inclusion.** We, along with other 9 companies are part of a private sector alliance for financial inclusion, an initiative promoted by Queen Maxima of the

Netherlands, Special Representative of the United Nations to promote Inclusive Financing for development.

- **Principles of Ecuador.** We analyze the environmental and social risks of all our financing operations of projects that are under the scope of the principles of Ecuador and participate actively in the evolution of the criteria
- **Principles of Responsible Investment.** We manage our pension funds of employees in Spain and Brazil applying criteria of responsible investment.
- **Others include:** Wolfsberg Group; Round table on responsible soy; Sustainable livestock working group; CDP (formerly Carbon Disclosure Project); Climate Leadership Council.

UNEP FI – Principles for responsible banking

The Principles provide the banking industry with a single framework that embeds sustainability across all business areas. The Principles align banks with society's goals as expressed in the Sustainable Development Goals and the Paris Climate Agreement.

Transparency, accountability, governance, target setting and working with all stakeholders towards positive impacts are at the core of the Principles and will help banks increase their contribution to address global challenges.

Further information

This Responsible banking chapter constitutes the traditional sustainability report that the Group prepares and is one of the main tools used by the Group to report on sustainability issues.

International standards and response to legislation in preparing this Responsible banking chapter

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

Additionally, in this chapter detailed information is provided to respond to the Law 11/2018, 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 chapter is the fifteenth annual document that the Santander Group has published, giving account of its sustainability commitments, and refers to the period from 1 January to 31 December 2018. 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 Group for accounting purposes; the social and environmental information has been prepared according to the same definition, wherever this is available.

Data contained in this chapter covers Banco Santander SA. and subsidiaries (for more information see notes 3 and 52 to the consolidated financial statements and sections 3 and 4 of the economic and financial chapter).

When the limitations and scope of the information, and the changes in criteria applied with respect to the 2017 sustainability report are significant, these are reflected in the corresponding section of the report and the GRI Content Index.

Material aspects and stakeholder involvement

The 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 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 section 'What our stakeholders tell us' of this document.

Non-financial information

Law content index

Equivalent table of legal disclosure requirements under Spanish law 11/2018

	Description of the metric/concept included in the 11/2018 Law to be disclosed	Chapters/section of the Consolidated directors report where the info is available	Correspondence with GRI indicators
0. General Information	Short description of the Group's business model (it will include its business environment, its organisation and structure, the markets in which it operates, its objectives and strategies, and the main factors and trends that may affect its future performance).	✓ Pag. 4-9	GRI 102-1 GRI 102-2 GRI 102-3 GRI 102-4 GRI 102-6 GRI 102-7 GRI 102-14 GRI 102-15
	A description of the policies that the Group applies , which will include: the due diligence procedures applied for the identification, assessment, prevention and mitigation of risks and significant impacts and of verification and control, including the measures in which they have been adopted):	✓ Principles and governance. Pag. 18-19	GRI 103-2 GRI 103-3
	The results of these policies , including key indicators of relevant non-financial results that allow the monitoring and evaluation of progress and that favour the comparability between companies and sectors, in accordance with national, European or international frameworks of reference used for each matter.	Sustainable finance. Pag. 62-69	GRI 103-2 GRI 103-3
		Challenge 2: Inclusive and sustainable growth. Pag. 48-61	
		✓ A talented and motivated team. Pag. 28-37	
	The main risks related to these matters associated with the Group's activities (business relationships, products or services) that may have a negative effect in these areas, and how the Group manages these risks, explaining the procedures used to detect and assess them in accordance with national, European or international frameworks of reference for each matter. It must include information about the impacts that have been detected, offering a breakdown, in particular of the main risks in the short, medium and long term.	Principles and governance, Responsible Procurement, Analysis of Social & Environmental risk management, Pag. 18-19, 46-47, 66-67	GRI 103-3
		✓ Principles and governance, Responsible procurement, Analysis of Social & Environmental Risk management, Pag. 18-19, 46-47, 66-67	GRI 102-15 GRI 102-30
	Detailed information on the current and foreseeable effects of the activities of the company in the environment and, where appropriate, health and safety, environmental evaluation or certification procedures; the resources dedicated to the prevention of environmental risks; the application of the principle of caution, the amount of provisions and guarantees for environmental risks.	Sustainable finance. Pag. 62-69	GRI 102-29 GRI 102-31 GRI 201-2 GRI 103-2 (GRI de la dimensión ambiental)
		✓ Environmental footprint. Pag. 69	GRI 102-11 GRI 102-29
		Analysis of environmental and social risks. Pag. 66-67	GRI 102-11
		Provisions and guarantees for environmental risks is not a material aspect of the total provisions of Banco Santander, because the environmental risk associated with its direct activities is small.	-

Description of the metric/concept included in the 11/2018 Law to be disclosed		Chapters/section of the Consolidated directors report where the info is available	Correspondence with GRI indicators
Contamination:			
Measures to prevent, reduce or repair CO ₂ emissions that seriously affect the environment, taking into account any form of air pollution, including noise and light pollution.	✓	Environmental footprint. Pag. 68-69	GRI 103-2 (GRI 302 y 305)
Circular economy and waste prevention and management:			
Waste prevention measures, waste recycling measures, waste reuse measures; other forms of waste recovery and reuse; actions against food waste.	✓	Environmental footprint. Pag. 68-69	GRI 103-2 (GRI 306) GRI 301-2 GRI 306-1
Sustainable use of resources:			
Use and supply of water according to local limitations	✓	Environmental footprint. Pag. 68-69	GRI 303-1
Consumption of raw materials and measures taken to improve the efficiency of its use.	✓	Environmental footprint. Pag. 68-69	GRI 103-2 (GRI 301) GRI 301-1 GRI 301-2
Energy: direct and indirect consumption, measures taken to improve energy efficiency, use of renewable energies	✓	Environmental footprint. Pag. 68-69	GRI 103-2 (GRI 302) GRI 302-1 GRI 302-3
Climate change:			
Important elements of greenhouse gas emissions generated as a business activity (including goods and services produced)	✓	Environmental footprint. Pag. 68-69	GRI 103-2 (GRI 305) GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4
Measures taken to adapt to the consequences of climate change	✓	Sustainable finance. Pag. 62-69	GRI 103-2 (GRI 305) GRI 201-2
Reduction targets voluntarily established in the medium and long term to reduce greenhouse gas emissions and means implemented for this purpose.	✓	Environmental footprint. Pag. 68-69	GRI 103-2 (GRI 305)
Protection of biodiversity:			
Measures taken to preserve or restore biodiversity	-	Los impactos causados por las actividades directas de Banco Santander sobre la biodiversidad no son materiales debido a la actividad financiera desarrollada por la entidad.	-
Impacts caused by the activities or operations of protected areas	-		

Description of the metric/concept included in the 11/2018 Law to be disclosed		Chapters/section of the Consolidated directors report where the info is available		Correspondence with GRI indicators
2. Social	Employment:			
	Total number and distribution of employees by gender, age, country and professional classification	✓	Key Metrics. Pag. 70	GRI 103-2 (GRI 401) GRI 102-8 GRI 405-1
	Total number and distribution of contracts modes and annual average of undefined contracts, temporary contracts, and part-time contracts by: sex, age and professional classification.	✓	Key Metrics. Pag. 71	GRI 102-8 GRI 405-1
	Number of dismissals by: gender, age and professional classification.	✓	Key Metrics. Pag. 72	GRI 401-1
	Average remuneration and its progression broken down by gender, age and professional classification	✓	Key Metrics. Pag. 73	GRI 405-2
	Salary gap and remuneration of equal or average jobs in society	✓	Pag. 33	GRI 103-2 (GRI 405) GRI 405-2
	Average remuneration of directors and executives (including variable remuneration, allowances, compensation, payment to long-term savings forecast systems and any other payment broken down by gender)	✓	Key Metrics. Pag. 73 Corporate governance chapter (pág.)	GRI 102-35 GRI 102-36 GRI 103-2 (GRI 405)
	Implementation of work disconnection policies	✓	A talented and motivated team. Pag. 28-37	GRI 103-2 (GRI 401)
	Employees with disabilities	✓	Key metrics. Pag. 32, 71	GRI 405-1
	Organisation of work:			
	Organisation of work time	✓	A talented and motivated team	GRI 103-2 (GRI 401)
	Number of absent hours	✓	Key Metrics. Pag. 37, 74	GRI 403-2
	Measures designed to facilitate work-life balance and encourage a jointly responsible use of said measures by parents	✓	A talented and motivated team. Pag. 28, 72	GRI 103-2 (GRI 401)
	Health and safety:			
	Conditions of health and safety in the workplace	✓	A talented and motivated team. Pag. 28, 72	GRI 102-41
	Occupational accidents, in particular their frequency and severity, as well as occupational illnesses. Broken down by gender.	✓	Key Metrics. Pag. 74	GRI 403-2 GRI 403-3
	Social relations:			
	Organisation of social dialogue (including procedures to inform and consult staff and negotiate with them)	✓	What our stakeholders tell us. Pad. 14-15	GRI 103-2 (GRI 402)
	Percentage of employees covered by collective bargaining agreements by country	✓	Key Metrics. Pag. 28, 72	GRI 102-41
	Balance of the collective bargaining agreements (particularly in the field of health and safety in the workplace)	✓	GRI content index.	GRI 403-1 GRI 403-4
	Training:			
	The policies implemented in the field of training	✓	A talented and motivated team. Pag. 28-37	GRI 103-2 (GRI 404) GRI 404-2
	Total number of hours of training by professional categories.	✓	Key Metrics. Pag. 73	GRI 404-1
	Accessibility:			
	Universal accessibility of people	✓	Challenge 2: Inclusive and sustainable growth. Pag. 32, 51.	GRI 103-2 (GRI 405)
	Equality:			
	Measures taken to promote equal treatment and opportunities between women and men, Equality plans (Chapter III of Organic Law 3/2007, of 22 March, for the effective equality of women and men), measures taken to promote employment, protocols against sexual and gender-based harassment, Policy against all types of discrimination and, where appropriate, integration of protocols against sexual and gender-based harassment and protocols against all types of discrimination and, where appropriate, management of diversity	✓	A talented and motivated team. Pag. 28-37 SMEs & job creation. Pag. 28-3	GRI 103-2 (GRI 405 y 406)

	Description of the metric/concept included in the 11/2018 Law to be disclosed		Chapters/section of the Consolidated directors report where the info is available	Correspondence with GRI indicators
3. Human Rights	Application of due diligence procedures in the field of Human Rights	✓	Principles and governance, Analysis of Social & Environmental Risk, Responsible Procurement. Pag. 18-19, 66-67.	GRI 102-16 GRI 102-17 GRI 103-2 (GRI 412)
	Prevention of the risks of Human Rights violations and, where appropriate, measures to mitigate, manage and repair any possible abuses committed	✓	Principles and governance, Responsible Procurement. Analysis of Social & Environmental Risk, Pag. 18-19, 66-67.	GRI 410-1 GRI 412-1 GRI 412-3
	Complaints about cases of human rights violations	✓	GRI content index. Risk management chapter (p.)	GRI 406-1
	Promotion and compliance with the provisions of the fundamental conventions of the International Labour Organisation regarding respect for freedom of association and the right to collective bargaining.	✓	A talented and motivated team. Pag. 18-19	GRI 103-2 (406, 407, 408 y 409)
4. Fight against corruption	Measures taken to prevent corruption and bribery	✓	Principles and governance, Risk management chapter (p.)	GRI 102-16 GRI 102-17 GRI 103-2 (GRI 205)
	Measures to combat money laundering	✓	Principles and governance, Risk management chapter (p.)	GRI 205-1 GRI 205-2 GRI 205-3
	Contributions to non-profit foundations and entities	✓	Community investment. Pag. 58.59	GRI 413-1
Commitments of the company to sustainable development:				
	The impact of the company's activity on employment and local development	✓	SMEs & job creation, Community investment. Pag. 52-53, 58-59	
	The impact of the company's activity on local towns and villages and in the country	✓	SMEs & job creation, Community investment. Pag. 52-53, 58-59	
	Relations maintained with the representatives of local communities and the modalities of dialogue with them	✓	What our stakeholders tell us. Pag. 14-15	
	Association or sponsorship actions*	✓	Community investment. Pag. 58-59	
Outsourcing and suppliers:				
	Inclusion of social, gender equality and environmental issues in the procurement policy	✓	Responsible procurement. Pag. 46-47	GRI 103-2 (GRI 204, 308 y 414)
5. Information on the company	Consideration in relations with suppliers and subcontractors of their responsibility	✓	Responsible procurement. Pag. 46-47	GRI 102-9 Cadena de suministro GRI 103-2 (GRI 204, 308 y 414) GRI 204-1 GRI 308-1 GRI 414-1
	Supervision and audit systems and resolution thereof	✓	Responsible procurement. Pag. 13, 46-47	GRI 103-2 (GRI 204)
	Consumers:			
	Measures for the health and safety of consumers	✓	Responsible Business Practices. Pag. 38-39 Risk management chapter (p.)	GRI 103-2 (GRI 416, 417 y 418) GRI 416-1 GRI 417-1 G4-FS15
	Systems for complaints received and resolution thereof	✓	Responsible Business Practices. Pag. 38-41 Key metrics. Pag. 75. Risk management chapter (p.) GRI content index.	GRI 102-17 GRI 103-2 (GRI 416, 417 y 418) GRI 416-2 GRI 417-2 GRI 418-1
Tax information:				
	The profits obtained country by country	✓	Appendix VI in Auditor's report and annual consolidate accounts (Pág. 289)	GRI 103-2 (GRI 201)
	Taxes earned on benefits paid	✓	Tax contribution. Pag. 13, 61	
	Public grants received	✓	GRI content index.	GRI 201-4
	Any other relevant information:			

*NB: The data to report this indicator could be quantitative or qualitative

In addition to the contents mentioned in the previous table, the consolidated non-financial information statement of Banco Santander includes the following contents: 102-5, 102-9, 102-10, 102-12, 102-13, 102-18, 102-19, 102-20, 102-21, 102-22, 102-23, 102-24, 102-25, 102-26, 102-27, 102-28, 102-32, 102-33, 102-34, 102-37, 102-40, 102-42, 102-43, 102-44, 102-45, 102-46, 102-47, 102-48, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54, 102-55, 102-56, 201-1, 201-3, 202-1, 202-2, 203-1, 203-2, 206-1, 302-1, 302-3, 307-1, 308-2, 401-2, 402-1, 404-3, 405-2, 411-1, 414-2, 415-1, 417-3, 419-1.

Global Reporting Initiative (GRI) content index

GRI Standards: GENERAL DISCLOSURES

GRI Standard	Disclosure	Page/Omission	Review
GRI 101: FOUNDATION			
GRI 102: GENERAL DISCLOSURES			
ORGANISATIONAL PROFILE	102-1 Name of the organization	P. 80	✓
	102-2 Activities, brands, products, and services	P. 12-13, 18, 23-24, 25, 26-27, 48-49, 54-55, 56 and 62-65.	✓
	102-3 Location of headquarters	P. 80	✓
	102-4 Location of operations	Table 20 in Key metrics from the chapter Responsible Banking (P. 74). Annual consolidated accounts.	✓
	102-5 Ownership and legal form	P. 44-45 and 708	✓
	102-6 Markets served	Table 20 in Key metrics from the Responsible Banking chapter (P. 68), P. 13, 38-39, 50-51 and 54-55.	✓
	102-7 Scale of the organization	P. 13, 27, 28 and 44 and tables 1 (p. 70) y 20 (p. 72) in Key metrics	✓
	102-8 Information on employees and other workers	P. 13, 27, 28 and 44 and tables 1 (p. 70) y 20 (p. 72) in Key metrics	✓ ¹
	102-9 Supply chain	P. 46-47.	✓
	102-10 Significant changes to the organization and its supply chain	P. 81	✓
	102-11 Precautionary Principle or approach	P. 13, 27, 28 and 44 and tables 1 (p. 70) y 20 (p. 72) in Key metrics	✓
	102-12 External initiatives	P. 31, 40-41, 46, 50-55 and 65-66	✓
	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. 12, 24 and 57.	✓
	102-15 Key impacts, risks, and opportunities	P. 21, 23, 28-29 42-43, 46-47, 66-69 and p. 214 from the annual consolidated accounts.	✓
ETHICS AND INTEGRITY	102-16 Values, principles, standards, and norms of behavior	P. 20-21, 23, 24-25, 31 and 47.	✓
	102-17 Mechanisms for advice and concerns about ethics	P. 20-21, 25-27, 34-39, 47, 54-59 and 62-66.	✓

GRI Standard	Disclosure	Page/Omission	Review
GOVERNANCE	102-18 Governance structure	P. 16-17 and Corporate Governance chapter of the annual report.	✓
	102-19 Delegating authority	P. 16-17 and Corporate Governance chapter of the annual report.	✓
	102-20 Executive-level responsibility for economic, environmental, and social topics	P. 16-17 and Corporate Governance chapter of the annual report.	✓
	102-21 Consulting stakeholders on economic, environmental, and social topics	P. 24-25, 32-33, 38 and 43 and Corporate Governance chapter of the annual report. Annual accounts.	✓
	102-22 Composition of the highest governance body and its committees	P.17 and Corporate Governance chapter of the annual report.	✓
	102-23 Chair of the highest governance body	P. 125 and 108-113 from the Corporate Governance chapter of the annual report. Annual accounts	✓
	102-24 Nominating and selecting the highest governance body	P. 138-140 and 156-157 from the Corporate Governance chapter of the annual report. Annual accounts.	✓
	102-25 Conflicts of interest	P. 16, 45, 108, 152, 160-162 from the Corporate Governance chapter of the annual report. Annual accounts.	✓
	102-26 Role of highest governance body in setting purpose, values, and strategy	P. 18-19, 42, 60. P. 116-160 Corporate Governance. Chapter 2 of the Regulations of the Board of Directors of Banco Santander, S.A	✓
	102-27 Collective knowledge of highest governance body	P. 116-127 from the Corporate Governance chapter of the annual report. Annual accounts.	✓
	102-28 Evaluating the highest governance body's performance	P. 108-111, 140, 146 from the Corporate Governance chapter of the annual report. Annual accounts.	✓
	102-29 Identifying and managing economic, environmental, and social impacts	P. 66. Annual accounts.	✓
	102-30 Effectiveness of risk management processes	P. 18-19, 42-43 and 66-67.	✓
	102-31 Review of economic, environmental, and social topics	Risk management chapter of the annual accounts.	✓
	102-32 Highest governance body's role in sustainability reporting	Santander's Board approved this report on February, 26th 2019 related to 2018 period (p. 24-25 from the 2018 Annual report, and p. 108 from the Corporate Governance Chapter of the Annual Report published in 2019).	✓
	102-33 Communicating critical concerns	Annual accounts.	✓
	102-34 Nature and total number of critical concerns	P. 18, 42-43, 66-67.	✓
	102-35 Remuneration policies	P. 31 and 33. P. 186-192 from the Corporate Governance Chapter of the Annual Report	✓
	102-36 Process for determining remuneration	P. 31 and 33. P. 180 and 224 from the Corporate Governance Chapter of the Annual Report. Report of the remuneration committee	✓
	102-37 Stakeholders' involvement in remuneration	P. 31 and 33. P. 180 and 224 from the Corporate Governance Chapter of the Annual Report. Report of the risk, supervision, regulation and compliance committee	✓
STAKEHOLDER ENGAGEMENT	102-38 Annual total compensation ratio	Confidential information	NO
	102-39 Percentage increase in annual total compensation ratio	Confidential information	NO
	102-40 List of stakeholder groups	P. 13-14, 26-27 and 80.	✓
	102-41 Collective bargaining agreements	P. 26-27 and 54.	✓
	102-42 Identifying and selecting stakeholders	P. 14-15 and 26-27.	✓
	102-43 Approach to stakeholder engagement	P. 26, 40-41 and 80 and table 22 in Key Metrics (p. 73).	✓
	102-44 Key topics and concerns raised	P. 14-17, 22-23 and 48-49.	✓

GRI Standard	Disclosure	Page/Omission	Review
REPORTING PRACTICE	102-45 Entities included in the consolidated financial statements	P. 80. Annual accounts.	✓
	102-46 Defining report content and topic Boundaries	P. 15 and 80.	✓
	102-47 List of material topics	P. 15	✓
	102-48 Restatements of information	P. 80	✓
	102-49 Changes in reporting	P. 80	✓
	102-50 Reporting period	P. 80	✓
	102-51 Date of most recent report	P. 80	✓
	102-52 Reporting cycle	P. 80	✓
	102-53 Contact point for questions regarding the report	P. 709	✓
	102-54 Claims of reporting in accordance with the GRI Standards	P. 80	✓
	102-55 GRI content index	GRI Content Index (p. 86-102).	✓
	102-56 External assurance	P. 80. Independent verification report.	✓

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. 86-102)	-	✓
			103-2 The management approach and its components	P. 24-25 and column "Page/Omissionn" of the GRI 201: Economic Performance (p. 90).	-	✓
			103-3 Evaluation of the management approach	P. 24-25 and column "Page/Omissionn" of the GRI 201: Economic Performance (p. 90).	-	✓
		GRI 202: MARKET PRESENCE	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Table 13 in Key metrics (P. 73).	Group	✓ ³
			202-2 Proportion of senior management hired from the local community	The Group Corporate Human Resources Model aims to attarct and retain the best professionals in the countries in which it operates. Table 7 in Key metrics (p. 71)	Grupop 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, columna "Cobertura del tema material" del Índice de contenidos GRI (P. 86-102).	-	✓
			103-2 The management approach and its components	P. 54-59.	-	✓
			103-3 Evaluation of the management approach	P. 54-59.	-	✓
		GRI 203: INDIRECT ECONOMIC IMPACT	203-1 Infrastructure investments and services supported	P. 56, 58-59.	Group	✓
			203-2 Significant indirect economic impacts	P. 56, 58-59.	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, columna "Cobertura del tema material" del Índice de contenidos GRI (P. 89-101).	-	✓
			103-2 The management approach and its components	P. 46-47	-	✓
			103-3 Evaluation of the management approach	P. 46-47	-	✓
		GRI 204: PROCUREMENT PRACTICES	204-1 Proportion of spending on local suppliers	P. 46-47	Group	✓ ⁸
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, columna "Cobertura del tema material" del Índice de contenidos GRI (P. 86-102).	-	✓
			103-2 The management approach and its components	P. 20-21, 23, 24-25, 31 and 47.	-	✓
			103-3 Evaluation of the management approach	P. 20-21, 23, 24-25, 31 and 47.	-	✓
		GRI 205: ANTI-CORRUPTION	205-1 Operations assessed for risks related to corruption	Risk management chapter	Group	✓
			205-2 Communication and training about anti-corruption policies and procedures	Risk management chapter	Group	✓
			205-3 Confirmed incidents of corruption and actions taken	Risk management chapter	Group	✓ ⁶

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
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. 86-102)	-	✓
			103-2 The management approach and its components	P. 20-21, 23, 24-25, 31, 47 and column "Page/Omission" of the GRI 206: Anti-competitive Behaviour (p. 91).	-	✓
			103-3 Evaluation of the management approach	P. 20-21, 23, 24-25, 31, 47 and column "Page/Omission" of the GRI 206: Anti-competitive Behaviour (p. 91).	-	✓
		GRI 206: ANTI-COMPETITIVE BEHAVIOUR	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	After an administrative investigation on several financial entities, including Banco Santander, S.A., in relation to possible collusive practices or price-fixing agreements, as well as exchange of commercially sensitive information in relation to financial derivative instruments used as hedge of interest rate risk for syndicated loans, on 13 February 2018, the Competition Directorate of the Spanish "National Commission for Antitrust and Markets" (CNMC) published its decision, by which it fined the Bank and another three financial institutions with EUR 91 million (EUR 23.9 million for the Bank) for offering interest rate derivatives in breach of Articles 1 of the Spanish Act 15/2007 on Defence of Competition and 101 of the Treaty of Functioning of the European Union. According to the CNMC, there is evidence that there was coordination between the hedging banks/lenders to coordinate the price of the derivatives and offer clients, in each case, a price different from the "market price". This decision has been appealed before the Spanish National Court by the Bank, that has already paid the fine. The Italian Competition Authority has imposed to Banca PSA Italia a fine of € 6.077.606 as part of an investigation against the Captive Banks, Assofin and Assilea. According to the decision, the Captive Banks, Assofin and Assilea ran an unlawful cartel from 2003 to April 2017, aimed at exchanging sensitive commercial information in the car financing market in Italy, in order to restrict competition for the sale of financed cars, in violation of Article 101 TFEU. The decision will be appeal. Further information on litigation and other Group contingencies can be found in the Auditor's Report and Annual Accounts	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. 86-102)	-	✓
			103-2 The management approach and its components	P. 62, 63, 64, 66, 68-69.	-	✓
			103-3 Evaluation of the management approach	P. 62, 63, 64, 66, 68-69.	-	✓
		GRI 301: MATERIALS	301-1 Materials used by weight or volume	P. 69 and table 24 de Principales métricas (P. 76).	Group	✓ ⁴
			301-2 Recycled input materials used	The percentage of the environmentally-friendly paper consumption with respect to the total consumption is 86%. 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. 12-13 and column "Material aspect boundary" of GRI Content Index (p. 86-102)	-	✓
			103-2 The management approach and its components	P. 62, 63, 64, 66 and 68-69.	-	✓
			103-3 Evaluation of the management approach	P. 62, 63, 64, 66 and 68-69.	-	✓
		GRI 302: ENERGY	302-1 Energy consumption within the organization	P. 69 and Table 24 in Key metrics (p. 76)	Group	✓ ⁴
			302-2 Energy consumption outside of the organization	Not available	Group	NO
			302-3 Energy intensity	Table 24 in Key metrics (p. 76)	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. 86-101)	-	✓
			103-2 The management approach and its components	P. 62, 63, 64, 66 and 68-69.	-	✓
			103-3 Evaluation of the management approach	P. 62, 63, 64, 66 and 68-69.	-	✓
		GRI 303: WATER	303-1 Water withdrawal by source	P. 69 and Table 24 in Key metrics (p. 76)	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
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

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
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. 86-101)	-	✓
			103-2 The management approach and its components	P. 62, 63, 64, 66 and 68-69.	-	✓
			103-3 Evaluation of the management approach	P. 62, 63, 64, 66 and 68-69.	-	✓
		GRI 305: EMISSIONS	305-1 Direct (Scope 1) GHG emissions	P. 69 and Table 24 in Key metrics (p. 76)	Group	✓ ⁴
			305-2 Energy indirect (Scope 2) GHG emissions	P. 69 and Table 24 in Key metrics (p. 76)	Group	✓ ⁴
			305-3 Other indirect (Scope 3) GHG emissions	P. 69 and Table 24 in Key metrics (p. 76)	Group	✓ ⁴
			305-4 GHG emissions intensity	Table 24 in Key metrics (p. 76)	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
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.86-101)	-	✓
			103-2 The management approach and its components	P. 62, 63, 64, 66 and 68-69.	-	✓
			103-3 Evaluation of the management approach	P. 62, 63, 64, 66 and 68-69.	-	✓
		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. 69 and Table 24 in Key metrics (p. 76)	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. 86-101)	-	✓
			103-2 The management approach and its components	P. 32-33	-	✓
			103-3 Evaluation of the management approach	P. 32-33	-	✓
		GRI 307: ENVIRONMENTAL COMPLIANCE	307-1 Non-compliance with environmental laws and regulations	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.	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. 86-102)	-	✓
			103-2 The management approach and its components	P. 46-47	-	✓
			103-3 Evaluation of the management approach	P. 46-47	-	✓
		GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT	308-1 New suppliers that were screened using environmental criteria	P. 46-47	Group	✓ ^{8,9}
			308-2 Negative environmental impacts in the supply chain and actions taken	P. 46-47	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. 86-102)	-	✓
			103-2 The management approach and its components	P. 27-28 and 56	-	✓
			103-3 Evaluation of the management approach	P. 27-28 and 56	-	✓
		GRI 401: EMPLOYMENT	401-1 New employee hires and employee turnover	P. 27-28 and 56 and Tables 10 and 11 in Key metrics (p. 70-72)	Group	✓
			401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits detailed in p. 26-29 are regarding only full-time employees	Group	✓
			401-3 Parental leave	Not available	Group	NO
LABOUR/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. 86-102)	-	✓
			103-2 The management approach and its components	Column "Page/Omission" of the GRI 402: Labor/Management relations" (p. 94)	-	✓
			103-3 Evaluation of the management approach	Column "Page/Omission" of the GRI 402: Labor/Management relations" (p. 94)	-	✓
		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. 86-102)	-	✓
			103-2 The management approach and its components	P. 34 y column "Page/Omission" of the GRI 403: Occupational Safe and Safety (p. 85)	-	✓
			103-3 Evaluation of the management approach	P. 36 y column "Page/Omission" of the GRI 403: Occupational Safe and Safety (p. 87)	-	✓
		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. 36 and Tables 17, 18 and 19 in Key metrics (p. 73)	Group	✓ ¹
			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. 86-102)	-	✓
			103-2 The management approach and its components	P. 26,28-29. Column "Page/Omission" of the GRI 404: Training and education (p. 95)	-	✓
			103-3 Evaluation of the management approach	P. 26,28-29. Column "Page/Omission" of the GRI 404: Training and education (p. 95)	-	✓
		GRI 404: TRAINING AND EDUCATION	404-1 Average hours of training per year per employee	P. 30-31 and tables 14, 15 and 16 in Key metrics (p. 72-73)	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. 28 y 30-31 and table 14 in Key metrics (p. 72)	Banco Santander S.A.	✓
			404-3 Percentage of employees receiving regular performance and career development reviews	P. 28-29. 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. 86-102).	-	✓
			103-2 The management approach and its components	P. 32-33	-	✓
			103-3 Evaluation of the management approach	P. 32-33	-	✓
		GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES	405-1 Diversity of governance bodies and employees	P. 18-19, 25, 32-33 and Tables 1, 3 and 6 in Key metrics (p. 70-71)	Group	✓
			405-2 Ratio of basic salary and remuneration of women to men	P.33	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. 86-102).	-	✓
			103-2 The management approach and its components	P. 28-29 y 56.	-	✓
			103-3 Evaluation of the management approach	P. 28-29 y 56.	-	✓
		GRI 406: NON-DISCRMINATION	406-1 Incidents of discrimination and corrective actions taken	Risk management chapter	Group	✓ ⁶
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

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
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. 86-102)	-	✓
			103-2 The management approach and its components	Column "Page/Omission" of the GRI 410: Security Practices (p. 96)	-	✓
			103-3 Evaluation of the management approach	Column "Page/Omission" of the GRI 410: Security Practices (p. 96)	-	✓
		GRI 410: SECUTIRY 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.	✓
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. 12-13 and column "Material aspect boundary" of GRI Content Index (p. 86-102)	-	✓
			103-2 The management approach and its components	P. 66 and Column "Page/Omission" of the GRI 411: Rights of Indigenous People (p. 96)	-	✓
			103-3 Evaluation of the management approach	P. 66 and Column "Page/Omission" of the GRI 411: Rights of Indigenous People (p. 96)	-	✓
		GRI 411: RIGHTS OF INIDGENOUS PEOPLE	411-1 Incidents of violations involving rights of indigenous people	The Bank ensures, through social and environmental risk assessments in their financing operations under the Equator Principles, that no violations of the indigenous peoples' rights occur in such operations.	Group	✓ ^{2, 10}
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. 86-102)	-	✓
			103-2 The management approach and its components	Column "Page/Omission" of the GRI 412: Human Rights assessment (p. 96)	-	✓
			103-3 Evaluation of the management approach	Column "Page/Omission" of the GRI 412: Human Rights assessment (p. 96)	-	✓
		GRI 412: HUMAN RIGHTS ASSESSMENT	412-1 Operations that have been subject to human rights reviews or impact assessments	All the Bank's financing operations under the Equator Principles are subject to social and environmental risk assessments (which includes human rights aspects). In 2018, a total of 35 operations were evaluated in this respect.	Group	✓ ¹⁰
			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	A new supplier certification policy was approved in 2018. This policy includes an annex with the "principles of responsible conduct for suppliers". These principles are mandatory for all the Bank's suppliers and include, among others, human rights aspects.		✓ ²

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
LOCAL COMMUNITIES						
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.86-102)		✓
			103-2 The management approach and its components	P. 54-59 and 62-63		✓
			103-3 Evaluation of the management approach	P. 54-59 and 62-63		✓
		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. 54-59 y 56-57.	Group	✓ ¹¹
			413-2 Operations with significant actual and potential negative impacts on local communities	Not available	Group	NO
SUPPLIER SOCIAL ASSESSMENT						
Control and management of risks, ethics and compliance	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. 86-102)	-	✓
			103-2 The management approach and its components	P. 46-47	-	✓
			103-3 Evaluation of the management approach	P. 46-47	-	✓
		GRI 414: SUPPLIER SOCIAL ASSESSMENT	414-1 New suppliers that were screened using social criteria	P. 46-47	Group	✓ ⁸⁹
			414-2 Negative social impacts in the supply chain and actions taken	P. 46-47	Group	✓ ⁸⁹
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. 86-102)	-	✓
			103-2 The management approach and its components	P. 20-21, 23, 24-25, 31 and 47 and column "Page/Omission" of the GRI 415: Public Policy (p. 97)	-	✓
			103-3 Evaluation of the management approach	P. 20-21, 23, 24-25, 31 and 47 and column "Page/Omission" of the GRI 415: Public Policy (p. 97)	-	✓
		GRI 415: PUBLIC POLICY	415-1 Political contributions	The vinculation, memebership or collaboration with political parties or with other kind of entities, institutions os 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. 86-102)	-	✓
			103-2 The management approach and its components	P. 38-41	-	✓
			103-3 Evaluation of the management approach	P. 38-41	-	✓
		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. 38-41)	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.	Group	✓ ⁵

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. 86-102)	-	✓
			103-2 The management approach and its components	P. 38-41	-	✓
			103-3 Evaluation of the management approach	P. 38-41	-	✓
		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. 38-41). 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	A fine of 120.000 euros imposed by the Instituto Vasco de Consumo for an alleged abuse of the clause of expenses of mortgage loan contracts by the Bank. The decision has been appealed. A fine of 4.5 million euros imposed by Bank of Spain for breaches relating to the content and delivery of contractual and pre-contractual information of contracts with mortgage guarantee and in relation to the collection of commissions and roundings, by the former Banco Popular A fine of 4.5 million euros imposed by the CNMV for the undue collection of incentives derived from investments in foreign and domestic collective investment schemes by the Bank. Moreover, the information regarding litigation and the Group's other contingencies is provided in the auditor's report and annual accounts.	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. On November 20 2018, SC and the CFPB resolved an investigation of SC's marketing of gap waiver coverage – a product that provides coverage for the amount of the outstanding automobile loan in the event of a total loss of the vehicle (through accident or theft) where the insurance proceeds are less than the amount owed on the vehicle at the time of the loss -- and disclosures associated with loan deferrals and extensions pursuant to a Consent Order which requires SC to (1) pay approximately \$2 million in customer remediation; (2) a civil monetary penalty of \$2.5 million; and waive approximately \$7.2 million of balances. Information on litigation and other Group contingencies can be found in Auditors' report and annual consolidated accounts .	Group	✓ ⁵
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. 86-102)	-	✓
			103-2 The management approach and its components	P. 38-41	-	✓
			103-3 Evaluation of the management approach	P. 38-41	-	✓
		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.	Group	✓ ⁵

Identified material aspect	Material aspect boundary	GRI Standard	Disclosure	Page/Omission	Scope	Review
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. 86-102)	-	✓
			103-2 The management approach and its components	P. 20-21, 23, 24-25, 31 and 47. and column "Page/Omission" of the GRI 419: Socioeconomic Compliance (p. 99)	-	✓
			103-3 Evaluation of the management approach	P. 20-21, 23, 24-25, 31 and 47. and column "Page/Omission" of the GRI 419: Socioeconomic Compliance (p. 99)	-	✓
		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.	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. 18-19	Group	✓
		FS2	Procedures for assign and screening environmental and social risks in business lines	P. 18-19, 38-41 and 66.	Group	✓
		FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements of transactions	P. 18-19, 38-41 and 66.	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. 20-21 and 45	Group	✓
		FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/ SME/large) and by sector	P. 38-41	Group	✓
		FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	P. 50-54	Group	✓
		FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	P. 50-54	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. 66	Group	✓ ¹⁰
		FS11	Percentage of assets subject to positive and negative environmental or social screening	P. 66	Group	✓ ¹⁰
		FS12	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization hold the right to vote shares pr 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 socuial 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. 54	Group	✓
		FS14	Initiatives to improve access to financial services for disadvantaged people	P. 48-50 and Table 21 in Key metrics (p. 75)	Group	✓
		FS15	Policies for the fair design and sale of financial products and services	P. 38-41	Group	✓
		FS16	Initiatives to enhance financial literacy by type of beneficiary	P. 38-41	Group	✓

✓ Reviewed content according to described scope. The independent verification report is included in p. 103-105 of this chapter.
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. 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.
11. Information is provided on programmes and their direct impacts of the ten main countries of the Group, instead on centers.

Independent verification report



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDEPENDENT VERIFICATION REPORT

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

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, of the "Responsible Banking" chapter, which corresponds to the accompanying Consolidated Non-Financial Information Statement ("CNFS") for the year ended 31 December 2018 of Banco Santander, S.A. and subsidiaries (hereinafter "Banco Santander") which forms part of Banco Santander's consolidated management report.

The content of the consolidated management report includes additional information to that required by current non-financial reporting regulations which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in the table "Non-financial information Law content index" included in the consolidated management report.

Responsibility of the Board of Directors

The preparation of the CNFS included in Banco Santander's consolidated management report and the content thereof are the responsibility of the Board of Directors of Banco Santander, S.A. The CNFS has been drawn up in accordance with the provisions of current commercial legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") described in accordance with the Comprehensive Option and the "Financial Services" Sector Supplement, in line with the details provided for each matter in the tables "Non-financial information Law content index" and "GRI Content Index" included in the consolidated management report.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the CNFS to be free of any immaterial misstatement due to fraud or error.

The directors of Banco Santander, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the CNFS is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.

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Our responsibility

Our responsibility is to express our conclusions in an independent limited verification report based on the work carried out in relation solely to fiscal year 2018. The data relating to previous years were not subject to current commercial legislation. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are less extensive than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to Management and several Banco Santander units that were involved in the preparation of the CNFS, in the review of the processes for compiling and validating the information presented in the CNFS, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with Banco Santander personnel to ascertain the business model, policies and management approaches applied, the main risks related to these matters and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the contents included in the CNFS for 2018, based on the materiality analysis carried by Banco Santander and described in section "What our stakeholders tell us" of the consolidated management report, considering the content required under current commercial legislation.
- Analysis of the procedures used to compile and validate the information presented in CNFS for 2018.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the CNFS for 2018.
- Verification, through sample testing, of the information relating to the content of the CNFS for 2018 and its adequate compilation using data supplied by the Banco Santander's sources of information.
- Obtainment of a management representation letter from the Directors and Management.

Conclusions

Based on the procedures performed and the evidence we have obtained, no matters have come to light that might lead us to believe that of the "Responsible Banking" chapter, which corresponds Banco Santander's CNFS, for the year ended 31 December 2018 has not been prepared, in all its significant aspects, in accordance with the provisions of current commercial legislation and the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") following the Comprehensive Option and the "Financial Services" Sector Supplement, described in accordance with the details provided for each matter in tables "Non-financial information Law content index" and "GRI Content Index" included in the consolidated management report.



Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

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

Pablo Bascones

28 February 2019