

Social and Environmental Responsibility

-Grupo Santander Global Policy-

I.- Introduction

Grupo Santander has voluntarily taken on a series of economic, social and environmental commitments in its Corporate Social Responsibility Plan. These commitments go beyond legal obligations to its main stakeholders: customers, employees, shareholders, suppliers and society as a whole.

The Corporate Social Responsibility Plan is part of the Santander business strategy, in the firm belief that a socially responsible management structure contributes to its viability of long-term activity.

II.- Policy Objective

This policy has a two-fold purpose:

- A. Establish an activity framework that integrates the social and environmental responsibility principles in the Group's global strategy.
- B. Establish the necessary mechanisms to analyse social and environmental risks and to adopt decisions on granting Project Finance operations.

As a starting point and without affecting the strict observance of sector legislation applicable in each country, this Policy (and any other policy approved by the Group on a sector level) is based on best practices that include International Conventions and Protocols, Codes of Conduct and Guide Books, internationally applicable on this subject, in particular:

- The Equator Principles (guidelines from the International Finance Corporation).
- United Nations: Universal Declaration of Human Rights.
- UN Global Compact: United Nations Global Compact.
- UNEP Finance Initiative: Financial Initiative for the United Nations Environment Programms.
- EC Code of Conduct for European companies operating in developing countries.
- OECD Guidelines for multinational companies.
- ILO Tripartite Declaration on multinational companies and social policy.
- Kyoto Protocol on climate change.

(A) Framework for action on integrating social and environmental responsibility into the Bank's global strategy

Grupo Santander's social and environmental responsibility is based on three main pillars: supporting higher education, social action and environmental protection.

1.- Supporting higher education.

Support for higher education, research and knowledge is a distinguishing feature of Banco Santander's Corporate Social Responsibility.

According to Santander, investing in education is the best way to contribute to the social and economic progress of the communities where it has presence. That is why, for some years the Group has been running Santander Universities, a collaboration programme with a high number of Latin American Universities.

2.- Social Action.

Santander contributes to promoting banking services and cultural, social and educational development through social projects, which encourage the participation of employees and customers.

3.- Environmental protection.

The Bank has undertaken the commitment to carry out its banking activity in an environmentally friendly manner and promoting initiatives that pledge for the protection, conservation and recovery of the environment.

Therefore, Santander performs important measures in different areas:

- Training and awareness
- Controlling emissions and internal consumption
- Business development: opportunities in renewable energy sectors
- Social and environmental analysis in loans

In this last area, risk analysis and decision-making processes are especially important in Project Finance operations.

(B) Social and environmental risk analysis in finance operations

1.- Procedure:

Santander considers social and environmental aspects in the risk analysis and decision-making processes pivotal in their financing operations.

The Risk Units are responsible for assessing the social and environmental risks of the projects submitted by the different Committees for their approval. These projects must be consistent with this policy and any other policies that maybe approved by the Group on a sector level.

The adherence to the Equator Principles has as first objective, prior to funding, to identify and prevent the project's negative social and environmental impacts and in the event that the impacts are unavoidable, reduce, mitigate or adequately offset them.

2.- Assessment:

During the approval process, the Risk Units study economical, social and environmental considerations relative to the analysed finance project as basic components of the analysis. When appropriate, the analysis covers the customer's commitment and capacity to prevent, reduce, mitigate and manage the possible negative impacts on society or the environment.

Grupo Santander gathers the following documentation on the analysis and assessment process (occasionally the assistance of external advisors will be required):

- Socio-environmental Impact Study and associated documents
- Socio-environmental due-diligence
- Documents that authorise the concession of compulsory licenses, authorisations and other permits relating to social and environmental issues by the involved Administrations.
- Reports on the measures aimed at mitigating the project's socio-environmental impact and its cost (Action Plans)
- In general, all documents that verify that the company complies with social and environmental regulations including reports from external advisors.

In the event of the operation being approved, the monitoring, control and information mechanisms required by the Equator Principles are established and other mechanisms that, if applicable, are set in the activity policies laid down by the Bank.

3.- Issues to consider in social and environmental risk management:

Grupo Santander examines all projects proposed for their direct financing (Project Finance) from a socio-environmental point of view and in accordance with the guidelines approved by the International Finance Corporation to cover aspects such as:

- Biodiversity conservation and sustainable management of natural resources
- Labour Standards
- Prevention of contamination and the emission of hazardous waste
- Community health and safety
- Land acquisition and voluntary resettlement
- Indigenous villages
- Cultural heritage

4.- Sectors requiring special attention:

The Group pays special attention to the social and environmental risks of the following economic sectors:

- Agriculture, fishing, livestock and forestry.
- Infrastructure (ports, roads and railways).
- Tourist developments.
- Energy (dams, renewable energies, gas, oil).
- Aquifers (desalting plants, wastewater treatment plants).
- Games and betting.
- Weapons.

5.- Monitoring and auditing:

All finance projects subject to this policy must submit an annual report with the aim of proving compliance with this policy. In this way, customer interaction is encouraged, which will contribute to prevent, reduce and mitigate socio-environmental risks and will create new business opportunities.

Internal Auditing is responsible for supervising the observance of this policy.

6.- Approval of operations policy:

In the social and environmental assessment Grupo Santander, will take the following factors into account:

- Nature of the products and services offered to customers.
- Countries where Grupo Santander and its customers are present.

Grupo Santander will not accept the following customer categories:

- Companies that do not support or respect internationally recognised basic human rights, within their area of influence.

- Companies that do not abide by labour standards, and in particular, those that impose hard or forced labour on minors.
- Companies that refuse to provide requested documentation or information.

Likewise, Grupo Santander will not finance the following activities:

- Agricultural or fishing activity in protected areas.
- Deforestation of protected or high conservation or extraction value forests, and sale of types of native woods that do not have an ecological certificate issued by a third party.
- Extraction of asbestos or manufacturing products that contain asbestos.
- Trading with protected animal species.
- Manufacturing or distributing nuclear arms, anti-personnel mines or cluster bombs.

7.- Communicating with stakeholders and Non-Governmental Organisations (NGOs):

In order to have all relevant opinions for their financing operations, Grupo Santander communicates and consults with interest groups, including NGOs.

III.- Sustainability Committee

The Sustainability Committee, chaired by Banco Santander's Chief Executive Officer, is made up of senior management from different business areas with most involvement in project finance operations and it's the body in charge of encouraging socially and environmentally responsible initiatives as well as applying, monitoring and controlling said initiatives. The committee's activity is undertaken in line with the best international practices on this subject.

Its mission is three-fold:

- Define the sustainability strategy.
- Approve, apply, manage and monitor the strategic aspects of the Policies.
- Promote training and awareness actions in the social and environmental field.

IV.- Policy holder

The holder of this policy is Banco Santander, S.A Board of Directors who approves the policy upon recommendation from the Grupo Santander Sustainability Committee. Any later modification must be approved by the Board of Directors and when appropriate upon recommendation from the Sustainability Committee.

V.- Corporate Social Responsibility Department.

The Corporate Social Responsibility Department that is part of the Sustainability Committee coordinates social and environmental initiatives that the Group promotes in different countries.

VI.- Advertising

This policy is published in www.santander.com

The annual Corporate Social Responsibility Report covers all concrete activity carried out in accordance with this policy.

VII.- Updating

Social and environmental responsibility is an area and process requiring continual improvement. This will be reflected in the frequent updates to this policy.

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