



Ms. Eniko Horvath
Mr. Gregory Regaignon
Business & Human Rights Resource Centre
www.business-humanrights.org

21 July 2016

Dear Ms. Horvath and Mr. Regaignon,

We appreciate the Business & Human Rights Resource Centre interest in Banco Santander offering the opportunity to participate discussing the 2016 *BankTrack* report *Banking with Principles*.

In keeping with its corporate culture, Santander undertakes to respect and promote human rights within the scope of its business, and to prevent, or otherwise, minimise any infringement directly caused by its business.

Following the evaluation criteria used in the 2016 Banking with Principles report we provide information further describing our policies and practices in relation to the management of human right issues.

Policy Commitment

Santander Group's Human Rights Policy, sets the Group's position regarding human rights and the principles that govern its commitment to them in accordance with the highest international standards, including the 2011 United Nations Guiding Principles, among others.

Santander's first Human Rights policy was approved in 2010 as part of the Group's sustainability policies. Recognizing the dynamic nature of these issues, Santander's sustainability policies have been exhaustively reviewed and extensively overhauled in 2015 and signed off by the board on 22 December 2015. Furthermore, the Human Rights Policy, as well as the rest of the sustainability policies, will be reviewed annually.

The policy development work was led by a cross functional team headed by Compliance with the participation of Risks, Sustainability, Business and Legal Affairs. The updating process considered international standards and best practices in human rights and business. The new policy also incorporates Santander's new corporate culture, oriented to help people and businesses prosper in a Simple, Personal and Fair way.

The Human Rights Policy applies to the Group regarding its own business activities or business activities carried out with third parties regardless of their nature or the place where they take place and matches the institutional and regulatory setting of each country where the Group operates. The Bank's commitment to protecting and respecting human rights extends, within its domain, to its employees, customers, suppliers, other business partners and the communities it serves. The key areas of relevance in relation to these stakeholders are highlighted in the policy.

Furthermore, the policy was prepared in consideration of and is aligned and complemented with the Group's General Code of Conduct, the General Sustainability Policy, the sectorial policies applicable to sensitive sectors and procurement policies which do also consider human rights issues.

Specifically relating to asset management, the bank includes a social and environmental dimension and human rights protection in its asset management policy in a progressive manner and in line with the UNPRI.

Due diligence Commitments

The human rights due diligence process is described in the Human Rights Policy. Santander works to ensure that this policy is being implemented effectively; analyses its implementation on a regular basis; and assesses the risk of breach within the areas where it operates. As part of the development of the new policy, the Bank carried out an analysis of the main potential risks related to human rights in the Group's value chain, its activities and considering its key stakeholders and their linkage to the Universal Declaration of Human Rights.

With regards to Santander's clients, key business activities that require due diligence on human rights are Project Finance, and Corporate Lending. In due diligence processes of operations under the policy, prior to entering into lending agreements, any other type of agreement, and within the scope of the Equator Principles and sensitive sectors risk management policies (defence, energy and soft commodities), Santander undertakes to assess the human rights policies and practices of its counterparties as part of its analysis process. In terms of supplier management, we carry out periodical analysis in order to identify and assess suppliers' risks related to their activities and geographical location. Employee related issues are covered by the code of conduct together with other internal policies and practices.

The scope of the new sectorial policies now go beyond Equator Principles and cover a wider range of activities, more customers (including insurance & asset management) and more operations (wholesale & commercial banking in case of activities whose funding is prohibited).

As indicated in the policies, risk and business units assess the social and environmental impacts (including human rights) in relation to the client's activities/transaction as well as the compliance with the requirements listed in each policy to decide whether to approve or propose the approval of the client/transaction, regardless of transactions that are subject to the Equator Principles or other applicable international standards. For all clients or transactions approved under the scope of each policy, the appropriate monitoring, control and information mechanisms are established in accordance to the Bank's internal frameworks and processes. In addition, a compliance declaration of conformity with the policies must be signed by clients as part of the contract agreement.

Santander also assesses suppliers in relation to their impact on human rights and acts accordingly, rescinding contracts in case of breaches. As one of the key sustainability principles in procurement management, in the main operating countries, most contracts include a declaration in which suppliers undertake to respect and comply with the 10 Principles of the United Nations Global Compact.

Reporting

The risk supervision, regulation and compliance committee is responsible for the coordination of the process of communication of non-financial and diversity information (as it is established in the Rules & Regulation of the Board Directors). This is in accordance with applicable regulations and leading international standards like the EU new *Directive on disclosure of non-financial and diversity information*. Santander seeks to continuously improve its reporting practices, including in relation to human rights. The goal is to better respond to both stakeholder needs as well as new regulations like the EU Directive on non-financial information or the UK Modern Slavery Act.

The main human rights issues of relevance to Santander are disclosed in the Human Rights Policy. For employees freedom of association and collective bargaining are, among others, key issues to consider. For clients, it is important to ensure the Bank offers only the products/services that match their situation and needs and to avoid any unjustified discrimination to whom the products are offered. For suppliers, it is key that they comply with the 10 principles of the United Nations Global Compact. Finally, with regard to Santander relationship with the communities it serves, an example of relevant issue to consider is to ensure they have a clean and healthy environment and to minimise the environmental impact of its transactions.

Santander reports information about its social and environmental risk analysis and the application of its policies in its 2015 Sustainability Report, p.43, Annual Report, p.223-224 and Auditors Report and Annual Consolidated Accounts, p.179, 253. In addition, relevant reporting includes also operations financed under Equator Principles which are reported in Sustainability Report and Equator Principles website. Additional information, like GRI indicators related to human rights, is also reported in the 2015 Sustainability Report, p.92-93 and it is externally audited.

Santander Asset Management does also publishes annual Responsible Investment Transparency Reports as signatory of the UNPRI for the Santander Fund Ethical in Brazil, Santander Pensions Fund in Spain and the Employees' Santander Pensions Fund. These reports are available at UNPRI's website.



Access to remedy

The Human Rights Policy lays down that the Bank's employees are obliged to inform Santander of any identified breach of the commitments found in this policy. To do this end, employees may contact Santander through the whistleblowing channel created under the General Code of Conduct without fear of reprisal. Any identified breach of the respect for human rights is analysed based on internal procedures, legislation and agreements in force, possibly resulting in disciplinary measures being taken.

Regarding mitigation actions, as stated in the policy, Santander acts to minimise the social and environmental impact of its transactions. This means:

- Assuming the obligation to analyse, identify and correct negative social and environmental impacts, particularly on local communities, during the risk analysis process regarding lending activities & in a way that is consistent with the guidelines approved by the IFC and with Equator Principles.
- Developing specific policies that, according to Equator Principles, regulate the necessary requirements to offer financing to sectors, activities, or potential customers that pose a special social, environmental or human rights risk.
- Including a social and environmental dimension and human rights protection in the Bank's asset management policy in a progressive manner and in line with the UNPRI.

The policy also requires the appropriate resources to anticipate and mitigate risks in all of its activities by implementing the identified corrective measures, and be responsible for monitoring these measures.

Please do not hesitate to get in touch if you require additional information.

Sincerely,

Federico Gómez

Global Head of Sustainability