

General Policy General Sustainability Policy

SANTANDER GROUP

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1. INTRODUCTION

The world and society today, constantly evolving and changing, present risks and opportunities. This document defines Santander Group sustainability approach, within the context of Responsible Banking and oriented towards creating long-term value and managing social and environmental risks.

Recurring profitability is necessary, but not enough for business to be sustainable in the long run. Santander Group understands that sustainability is based on creating value for all stakeholders.

Thus, convinced that a socially responsible management approach contributes to long-term sustainable business, Banco Santander has voluntarily taken on certain ethical, social and environmental commitments that go beyond its legal obligations toward its stakeholders.

2. PURPOSE, AIM AND CULTURE

Santander Group purpose is to help people and businesses prosper.

Its aim is to become the world's best retail and commercial bank that earns the lasting loyalty of our people, customers, shareholders and communities. The only way to achieve this is by having the best possible relationships with them based on trust and loyalty:

- If employees feel motivated, engaged and rewarded, they will provide customers with quality service.
- If our customers receive excellent service and can see we are addressing their needs, their loyalty to the Bank will grow.
- If this happens, benefits and profitability increase, thus assuring the loyalty of our shareholders and allowing us to serve our communities more and generate trust in Banco Santander, thus making our employees even prouder to be part of this company.

The corporate culture is based on the belief that everything Santander Group does and the way in which we interact with our various stakeholders should be Simple, Personal and Fair.

3. SCOPE OF APPLICATION

This policy was drawn up by Banco Santander S.A. as the parent of the Santander Group, and is made available to the subsidiaries comprising the Group as a reference document, establishing the regime to be applied in the matters referred to.

The governance bodies of the Group's subsidiaries are responsible for drawing up and approving their own internal regulations to enable the stipulations of Group regulations to be applied in their respective areas, with any adaptations, where applicable, which may be strictly essential to make them compatible and enable them to comply with legal and regulatory requirements or with the expectations of their supervisors.

This approval must be validated at corporate level, so as to guarantee coherence with the regulatory system and the internal system of governance operated by the Group.

4. GENERAL PRINCIPLES OF REFERENCE OF RELATIONSHIP WITH OTHER POLICIES

This policy, which defines the general guiding principles of Santander Group regarding sustainability, is based on the best practices included in international conventions and protocols, codes of conduct and internationally relevant guides on this particular subject (see Appendix). Among them, special attention will be given to the United Nations Sustainable Development Goals (SDG).

All this without affecting the strict compliance with the relevant legislation of each country where Santander Group operates.

This policy is complemented by the Group's other policies, including:

- The Climate Change and Environmental Management policy
- The Human Rights policy
- The Volunteering policy
- Sectoral risk management policies for sensitive sectors

These policies will be reviewed by the Responsible Banking, Sustainability and Culture Committee who advises the board of directors on, among others, the strategy on responsible business practices and sustainability, monitoring the strategy and practices in this field including changes to policies and regulations.

The Sustainability Report, which is part of the Group's Annual Report, describes Banco Santander's strategy, management and objectives with regard to sustainability.

The sustainability policies must be applied taking into consideration the provisions of the corporate frameworks elaborated by the Santander Group in relation to those matters that have been considered relevant in response to the matter and its incidence in risks, as well as in its developments, and in accordance also with the codes and rules of conduct that are applicable to people who are part of the Santander Group.

5. CORPORATE SOCIAL RESPONSIBILITY GENERAL PRINCIPLES

5.1 Relationships with stakeholders

Under this policy, Santander Group sets out a number of principles and commitments, designed to create long-term value for its main stakeholders.

- Employees:

Above all else, Santander's continued success depends on our employees. Therefore, Santander Group works to attract, retain and develop our talent to have the best professionals, always making sure they provide customers with the best service.

With regard to its employees, Santander Group will observe the following principles:

- Respect for diversity, and non-discrimination because of gender, race, age or any other condition.
- Promotion of employment stability, work flexibility and work-life balance, as well as a safe and healthy workplace for employees.
- Encourage equal opportunities among its employees, aspiring to have a balanced representation between men and women in all functions and responsibilities.
- Santander Group will make sure employees behave in accordance with certain ethical and responsible conduct principles and rules by implementing the *General Code of Conduct*.
- Santander Group will encourage corporate volunteering to help the communities it serves prosper and increase our employees pride in belonging to this company. The *Corporate Volunteering Policy* sets out the principles and scopes of action for volunteering activities.

- Customers:

Build long-term relationships of trust being established with customers, earning their loyalty, adapting to their needs and enhancing their satisfaction.

- Santander Group aims to offer products and services that are simple, personalised and adapted to the needs and risk profile of its customers and provide them with accurate, sufficient and appropriate information.
- It will give customers access to the various products and services the Bank offers through a multi-channel offering so customers may use them however, whenever, and wherever they wish based on their needs.
- The Group will also design social and environmental products and services in order to promote financial inclusion and help protect the environment and mitigate climate change.
- It will monitor exceptional situations or settings that may have an effect on certain customers in order to offer them alternative solutions, in particular, among those groups in risk of or in a situation of social exclusion.
- It will make decisions taking into account ethical, social and environmental matters and financial and risk criteria pursuant to this sustainability policy and the other *sectoral policies for sensitive sectors*.
- It will be particularly diligent to prevent and avoid the funding of illegal activity in compliance with the Anti-Money Laundering and Terrorist Financing rules and by taking any additional measures deemed necessary.

- Santander Group will promote specialized financial education with the objective of providing information to current and potential clients about products and financial services. But also provide the expertise needed for decision making. In addition, and as one of the main principles of Consumer Protection, Banco Santander will analyse gaps found in customers' knowledge in order to update the financial education programs.

- Shareholders:

Long-term value creation and maximum information transparency are fundamental in Santander Group relationship with its shareholders.

To this end:

- Santander will ensure equal treatment between shareholders, based on the general principle of "one share, one vote".
- It will offer thorough, clear and accurate information to all shareholders through various communication channels made available to them by the Bank.

- Communities:

Santander also helps the communities it serves to prosper socially and economically through its social investment, with education being a main point of interest. Santander Group understands as well the support to education as an empowering lever that contributes to alleviating many of the major problems faced by humanity, such as poverty and hunger.

- Santander Group holds higher education to be the driver of growth, progress and future well-being. It is the main social investment the Bank makes and is the hallmark of its commitment towards the community. Through agreements with universities in different countries, the Bank will promote the improvement and excellence of universities, international mobility of university groups (teachers, students and researchers), research, innovation and entrepreneurship.
- Banco Santander will promote general financial education with the aim of improving citizens' financial culture and provide them with tools and knowledge to help them in making financial decisions, in line with Group's Consumer Protection principles.
- It will also pay close attention to childhood education, entrepreneurship and job creation, as well as social welfare.
- It will consider within its social investment decisions to contribute towards the eradication of poverty and support the most disadvantaged groups aiming to further social inclusion.
- It will encourage employees to participate in this area through volunteering initiatives.

- Suppliers:

Santander Group has ethical and transparent relationships with suppliers, and mandates that:

- Suppliers must be aligned with the ten principles of the United Nations Global Compact as well as with Santander Principles of Responsible Behaviour for Suppliers.
- It will promote mechanisms to identify possible environmental and social risks in the supply chain.

5.2 Human Rights

Within its domain, Santander Group undertakes to respect and promote human rights with regard to its employees, customers, shareholders, suppliers and communities. To this end, it has prepared a Human Rights policy containing commitments to prevent discrimination and such practices that infringe upon people's dignity, prohibit forced labour and child exploitation, respect the freedom of association and collective bargaining and help eradicate corruption within its scope of action. Furthermore, the Bank will establish appropriate measures to prevent, mitigate and correct any violation that may have occurred as a direct result of the Group's activity.

5.3 Other general commitments

- Tax responsibility:

Santander Group contributes economically and socially to the countries in which it operates by paying all direct taxes and withholding indirect taxes from third parties resulting from its business activity. It complies with all corporate governance requirements set out under the Spanish Companies Act and makes use of all good practices that make it possible to adequately prevent and reduce tax and reputational risks, to ensure greater legal and economic security for the company and for the community.

In addition to strictly fulfilling its legal obligations, Santander Group is committed to establishing co-operative relationships with the various tax authorities in the countries where it operates, based on principles of transparency and mutual trust. Hence, the Santander Group has adhered to the Code of Good Tax Practices since 2010.

- Environment:

Santander is committed to protecting the environment, especially in relation to the fight against climate change. To this end, the Bank undertakes to:

- Minimise the environmental impact of its facilities and internal operations.
- Promote products and services that respect the environment.
- Consider and assess the impact financing projects have on climate change.

The Bank's guiding principles regarding the environment are found in this *Sustainability policy, the sectoral policies for sensitive sectors and the Climate Change and Environmental Management Policy*.

6. FINANCE-RELATED ENVIRONMENTAL AND SOCIAL RISKS

Santander Group lends great importance to the environmental and social risks stemming from its customers' activities in sensitive sectors.

To this end, the Santander Group respects international best practices regarding social welfare and the environment, particularly the Equator Principles (EP), as signatory since 2009. These principles address such matters as:

- Biodiversity protection and sustainable natural resource management.
- Employment rights.
- Prevention of pollution and toxic waste emissions.
- Climate change.
- Community health and safety.
- Land acquisition and involuntary resettlement.
- Indigenous peoples.
- Cultural heritage.
- Human rights.

Furthermore, 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.

Each sectoral policy describes prohibited or restricted activities in each particular sector. To illustrate:

- Some activities expressly prohibited under the sectoral policies include manufacturing, marketing and distributing anti-personnel mines, cluster bombs or weapons of mass destruction, as regards the defence sector, or extraction and sale of native tropical wood species not certified to Forest Stewardship Council in relation to the soft commodities sector or in regards to the energy sector not financing new coal-fired power plant projects worldwide.
- Furthermore, Santander Group has decided to limit its involvement in certain activities (subject to their environmental and social impacts being previously analysed in detail), such as oil and gas activities in sensitive geographical areas, or the activities related to paper pulp and paper, palm oil or soy production.

In addition to the prohibited and restricted activities described in each sectoral policy, Santander Group lays out the following general prohibited and restricted activities applicable to these sector policies:

- Prohibited Activities:

The following exclusion criteria described as prohibited activities will be applied to all activities and clients of Santander group in relation to lending, financial consulting services, equity, asset management and insurance.

- Activities carried out in or affecting areas included on the United Nations List of Protected Areas¹, when the requirements detailed for restricted activities are not met.
- Activities concerning species included under Appendix I of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) or on national lists (unless the activities are meant to protect such species).
- Activities about which customers refuse to provide information and/or required documentation.

- Restricted activities:

The following criteria described as restricted activities will be applied to all type of lending, financial consulting services and equity provided by Santander Corporate and Investment Banking giving special attention to social and environmental risks related to:

- Activities concerning species included under Appendices II and III of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) or on national lists (unless the activities are meant to protect such species).
- Activities carried out in or affecting areas included on the United Nations List of Protected Areas¹, considering that conditions defined by the International Finance Corporation in its Performance Standard PS6, for legally protected and internationally recognized areas, are complied with².

7. DIALOGUE WITH STAKEHOLDERS

In order to receive all important feedback, Santander will maintain dialogue and consultation channels with its main stakeholders, employees, customers, shareholders, investors, suppliers, authorities, regulators, supervisors and NGOs.

¹ As listed in the World Database of Protected Areas – www.protectedplanet.net

² Conditions are defined in IFC's Performance Standard 6, biodiversity conservation and sustainable management of living natural resources - https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards/

8. GOVERNANCE OF THE POLICY

In accordance with the provisions of the Rules and Regulations of the Board of Directors, to the Board of Directors of Banco Santander S.A. corresponds the approval of the general policies and strategies of the Company, and the supervision of their application, including, without limitation including on corporate culture and values, including strategy on responsible business and sustainability.

The Responsible Banking, Sustainability and Culture Committee assists the board of directors in fulfilling its oversight responsibilities with respect to the responsible business strategy and sustainability issues of the Company and its Group. A specific forum, the Inclusive & Sustainable Banking Steering Group, supports the Committee work and proposes and monitors the sustainability strategy and the initiatives. This group is composed by senior managers.

The subsidiary entities, in accordance with the principle of proportionality, will establish the governing bodies necessary for the management and monitoring of social and environmental risks, which must be consistent with those of the Corporation.

9. POLICY OWNERSHIP AND UPDATES

Banco Santander, S.A. Board of Directors owns this policy. Any review or modification on it must be approved by the board of directors.

This policy will be subject to review and adoption by the Responsible Banking, Sustainability and Culture Committee and the Board of Directors.

It will be the responsibility of the Responsible Banking unit to inform the local sustainability units, in the Group's subsidiaries, of any revision or modification of this policy for its correct local adoption. This unit will also be responsible for making the proper follow-up of said local adoption.

The content of this policy constitutes a process of continuous improvement that will be reflected in the annual reviews of this document.

This policy was last revised in December 2018 and is published for general knowledge on the corporate intranet and on the website www.santander.com

ANNEX I

Main conventions, protocols, codes of conduct and international guidelines on which this sustainability policy is based:

- Equator Principles (International Finance Corporation guidelines).
- United Nations: Universal Declaration of Human Rights.
- UN Global Compact: United National Global Compact.
- UNEPFI: United Nations Environmental Programme for Financial Institutions.
- United Nation Sustainable Development Goals.
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- List of Wetlands of International Importance (RAMSAR).
- The International Union for Conservation of Nature (IUCN) list of critical natural habitats.
- The 2014 United Nations list of protected areas.
- UNESCO World Heritage list.
- The European Commission Code of Conduct for European enterprises operating in developing countries.
- The United Nations Guiding Principles on Business and Human Rights.
- OECD guidelines for multinational companies.
- The International Labour Organization's (ILO) Fundamental Conventions.
- Agreements reached at the 2015 COP21 summit on climate change in Paris.
- The Spanish National Securities Market Commission's (CNMV) Code of Good Governance.