



**SUSTAINABILITY  
REPORT  
2016**

To help people and  
businesses prosper



# Santander: a responsible and sustainable bank

Banco Santander carries out its business activities in a responsible manner, while contributing to the economic and social progress of the communities in which the Bank is present, taking into account its environmental impact.

Our purpose

To help **people** and **businesses** prosper

Our aim

To be the **best retail and commercial bank**, one that earns the **lasting loyalty** of our people, customers, shareholders and communities

Our way of doing things

Simple | Personal | Fair

Responsible with our stakeholders



- We attract, retain and engage the best talent.
- We forge long-term relationships with our customers built on trust.
- We offer a dividend with an attractive and sustainable shareholder return.
- We maintain stable relations with our suppliers.

Committed to social and economic progress



We are strongly committed to higher education as the main focus of our investment in society. We also contribute to the progress of our local communities through initiatives to support child education, enterprise and job creation, financial education and art and culture.



## Our virtuous circle



\* Refers to the number of people helped through social investment programmes and social and/or environmental products and services. This does not include Santander Universities.

## A distinctive business model



**1** The Bank's 125 million customers and solid presence in 10 key markets drive profitable growth



**2** The Bank's geographic diversification generates predictable profits, which means lower capital needs



**3** The collaboration-based subsidiaries model drives efficiency and excellence of service



We're proud to be recognised as the

# No.1 bank in Europe

by the Dow Jones Sustainability Index

## Financial inclusion

Last year we helped nearly 400,000 people gain financial education and micro-credits.

## Environmental solutions

We helped finance renewable energy projects capable of powering 6.8 million homes in 2015.

## Ethics & transparency

We're committed to high standards of transparency and ethical conduct, for management and customers alike.

Find out more about our sustainability programme and how we're helping people and businesses prosper.

Visit [Santander.com](http://Santander.com)

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM

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 **Santander**

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# SUSTAINABILITY REPORT 2016



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# Message from Ana Botín

Our purpose is to help people and businesses prosper.

Once again, we delivered on all our promises and did so in the right way. We made excellent progress against our long-term strategic goals.

In 2016, we lent more and improved service to our customers, earned more for our shareholders and supported our employees and communities in a sustainable, inclusive way.





Our achievements in 2016 reflect the strength and resilience of the Santander model and the efforts of all 190,000 of our colleagues:

- We increased lending to our customers by €16 billion.
- We continued to invest in technology, maintaining our 'best in class' efficiency while also improving customer service.
- We further strengthened our corporate governance and risk model and increased our Common Equity Tier 1 (CET1 Fully Loaded) capital by 3 billion euros, reaching a ratio of 10.55%, exceeding our target.
- We maintained our position as one of the most profitable banks in the world, with an underlying return on tangible equity of 11.1%, higher earnings per share of €0.41 (up 1%) and a cash dividend per share rising to €0.17 (up 8%). Our total net asset value per share also grew in 2016 by 15c to 4.22 euros.

The market is recognizing our progress, as shown by the total shareholder return of +14% for our shares in 2016.

We also worked hard to improve how we work: Our success at this time of exponential change will depend on an ever stronger culture where customers come first, uniting our banks in Europe and the Americas.

By making better use of technology and collaborating more effectively across the Santander Group, we are making it easier than ever for our clients to travel, to trade and to fulfill their financial needs.

Greater collaboration among countries and people is critically important to increasing prosperity for all.

We made further progress in ensuring that everything we do is more simple, personal and fair.

We are strengthening the links between our core markets and producing tangible benefits

of working across the group, both for our customers and for our shareholders.

### Our strategic progress in 2016

Our aim is to become the best retail and commercial bank, earning the lasting loyalty of our people, customers, shareholders and communities.

#### Customers

This year, we earned the trust of 4 million new customers, raising our total number of customers to 125 million. We did this by improving the service and products we offer in every one of our ten core markets.

Our 1|2|3 strategy is based on creating customer value, which leads to attractive financial returns as these customers do more business with us.

It is not a product strategy or market share driven. And it is a profound change from the strategy Santander pursued in the past in Spain. It drives stable long terms relationships, as 1|2|3 customers consider Santander their primary bank. It hence drives stable, current account balance growth.

In the UK the 1|2|3 strategy has fundamentally changed our bank, from relying on volatile and expensive savings customers, to real banking customers, in just 5 years.

As the English say, "the proof is in the pudding". Santander UK current account balances grew from £12 billion to £65 billion, after being stuck at £12 billion for many years, and we have gained an average of 420,000 loyal customers per year during that period.

Within this customer group, among other financial benefits, our cost of credit is a quarter of what it was in 2011. We have also improved savings margins as these customers did more of their business with us at lower cost.

### In 2016 we have achieved all our goals

Lending to customers



Best in class efficiency



FL CET1



Underlying RoTE



Cash dividend per share





**Santander now ranks among the top 3 banks for customer service in all but one of our 9 core countries. This was one of our key strategic goals for 2018. We achieved it in 2016.**



**A circle**



In Spain the strategy is similar but not identical, as our teams and services are able to develop relationships faster and therefore are already growing fees, in a declining market - not by raising fees but by growing the number of customers that bank with us.

In 2016, our 32% loyal customers growth drove a 6% growth in fees, with 50% of the commercial activity concentrated in 1123 customers, who buy 1.7 times more products and services than the rest.

Similar strategies adapted to local conditions have been launched in Mexico, Brazil, Portugal and other markets, based on the same principles of adding value to our customers, transparency and excellence in service, as the way to achieve profitable growth. These principles are the core of our Loyal and Digital customer strategy.

Thanks to the Group's investment in technology, the number of customers using our digital banking services rose by more than 25% in 2016 to just under 21 million.

Santander now ranks among the top 3 banks for customer service in all but one of our 9 core countries. This was one of our key strategic goals for 2018. We achieved it in 2016.

Our technology is allowing us to improve customer service while ensuring our cost income ratio, a measure of efficiency, remains among the best in our industry.

Great products, great service and great value lead to loyal customers. In 2016 the number of people who consider Santander their primary bank rose by 1.4 million to 15.2 million. Loyal customers do more business with us, which means our fee income from value-adding services rose by 8.1%.

We also agreed or completed three transactions which will allow us to serve more customers and continue to deliver profitable growth in the medium term in our core markets:

- We integrated Banif in Portugal – a deal that has helped us increase the return on tangible

equity in our Portuguese franchise to a best-in-class 13%.

- We reached an agreement to acquire Citigroup's retail assets in Argentina – enabling us to increase our market share and strengthen our franchise in a significant growth market.
- And most recently, we agreed to purchase the outstanding 50% stake in Santander Asset Management. This will allow us to expand our asset management business and the range of our offerings to customers.

These transactions align well with our strategy and allow us to offer better service to customers and strengthen our competitive advantage.

**People**

The talent and motivation of our 190,000 employees are the foundations for our success. Implementing a strong, common culture and purpose across the Group remains the main priority of the new management team.

We aim to be one of the top 3 banks to work for in the majority of our geographies. We have now achieved that goal in four of our ten core markets.

Our annual employee engagement survey is a valuable tool in listening to the views of our people and ensuring we take action to improve. The results this year show we are on the right path, as more than three quarters of our teams support our Simple|Personal|Fair culture.

We have a clear plan for continuous improvement in corporate behaviors and our remuneration will be significantly determined by our progress.

During 2016 we completed a significant restructuring process in a number of business areas to further improve our efficiency and operational excellence. While these processes are never easy, we have done our best to manage the exits of some of our people in a way that is fair to all, investing for the future.



**Our critical mass and retail-commercial model, focused in 10 markets in Europe and the Americas, has allowed us to deliver more predictable earnings than our peers across the cycle, even in adverse macro- economic conditions.**



### Communities

While delivering for our teams and on our financial and commercial targets is essential, making sure that we achieve our goals in the right way is even more important, as it ensures sustainability and continuous customer value creation.

This means supporting a culture that rewards the behaviors we believe to be right, encouraging colleagues to speak up, actively collaborate, and embrace change.

It means building a business that aims high, that our customers, people and shareholders can rely on in the long term. And it means taking our responsibilities to the communities we serve seriously.

This year Santander was recognized by the Dow Jones Sustainability Index as the best bank in Europe for our commitment to sustainability, contribution to social progress and for our protection of the environment.

I am extremely proud of the work we have done in 2016 to support our communities and there are a number of initiatives I would like to highlight:

- In 2016 we further increased our support for universities across all the markets in which we operate. We are now in partnership with 1,200 universities, providing more than 35,000 scholarships and grants.
- Across Latin America we have supported 250,000 micro finance projects.
- More than 60,000 employees took part in volunteering programmes during the year. These ranged from financial education for students, the elderly and people on low incomes in Europe to support for childhood education in Brazil, where 4,000 employees worked to improve learning in 214 schools.
- In Spain, our coaching and mentoring programmes helped the disadvantaged, the socially excluded, and victims of gender violence to improve their skills and find jobs.

### Shareholders

Our critical mass and retail-commercial model, focused in 10 markets in Europe and the Americas, have allowed us to deliver more predictable earnings than our peers across the cycle, even in adverse macro-economic conditions.

We proved this yet again in 2016 as we increased our revenues with strong growth in fee income and improvements in credit quality. Together with our focus on costs, this delivered an increase in our attributable net profit of 4%, to 6,204 million.

Our local operating performance was even better, as excluding one-off items and currency movements, our underlying profit before tax in constant Euros rose by 12%.

The strength of our business model and our ability to generate profits year after year are starting to be recognized by the European Central Bank. In December, following its Supervisory Review and Evaluation Process (SREP), it decided to reduce the amount of capital we are required to hold as a proportion of our assets.

Strong corporate governance is at the core of prudent risk management. It is critically important to ensuring the sustainability of any business.

In April the Group held the first meeting of its International Advisory Board (IAB), a group of CEO's and leaders with expertise in strategy, technology and innovation. The IAB's focus is on digital transformation, cyber security and how to apply new technologies to improve service and do so efficiently.

And in September we were delighted to announce the appointment of Homaira Akbari as a new independent member of our Board of Directors. Homaira is a distinguished scientist, technologist and business leader. She has deep experience in developing and implementing the most advanced technology at scale and will help us further advance our digital transformation.

### Banco Santander's International Advisory Board

#### Chairman

Mr Larry Summers  
*Former US Treasury Secretary and President Emeritus of Harvard University*

#### Members

Ms Sheila Bair <i>Former Chair of the Federal Deposit Insurance Corporation and President of Washington College</i>	Mr Francisco D'Souza, <i>CEO of Cognizant and director of General Electric</i>
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Mr George Kurtz <i>CEO and co-founder of CrowdStrike</i>	Ms Blythe Masters <i>CEO of Digital Asset Holdings</i>
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Mr Charles Phillips <i>CEO of Infor and former President of Oracle</i>	Mr Mike Rhodin <i>Senior Vice President of IBM Watson</i>
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Ms Marjorie Scardino <i>Former CEO of Pearson and member of the Board of Directors of Twitter</i>	Mr James Whitehurst <i>CEO of Red Hat</i>
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#### Secretary

Mr Jaime Pérez Renovales

“  
**The Santander business model is built upon strong foundations**  
”



**1**  
Serving 125 MM customers’ financial needs, with critical mass in 10 markets with c.1 Bn people drives profitable growth



**2**  
Geographic diversification drives predictability of earnings=less capital



**3**  
Subsidiary model with strong culture of working together drives efficiency and service excellence

Her appointment strengthens the Board’s international and technology expertise and brings the proportion of women on the Board to 40% - one of the highest in international banking.

I would like to take the opportunity to thank Angel Jado for his dedication and outstanding contribution to our Board for many years, and wish him every success for the future.

And I would like to recognize the hard work and commitment of all our Group and Subsidiary banks Board members, and thank them for their continued support throughout the past year.

**Our unique opportunities for growth**

I am proud of our team’s progress this past year. In 2016, we delivered strong operational performance in all our businesses and at Group level, as well as reaching or exceeding our cost of equity in 95% of the group’s investments. But we can do much more and much better.

The Santander business model is built upon strong foundations, well suited for the world ahead of us:

- We serve the financial needs of 125 million customers. We have critical mass in 10 markets with one billion people, which drives profitable growth.
- Geographic diversification leads to more predictable earnings and means we require a less capital intensive model than our global peers.
- Our subsidiary model allows us to be close to our customers and our strong culture of working together drives efficiency and service excellence.

The proof is our predictability.

We are one of only three major international banks to remain profitable throughout the crisis.

The European Banking Authority’s stress tests this year show Santander to be the most resilient bank among our peers.

We have increased our core capital by €17 billion and have grown our profits by 40% over the past three years.

We have paid dividends consistently for more than 50 years.

And we generate among the most stable and growing earnings per share among our peers.

But what matters looking forward is our great potential for organic growth. This is why I am confident Santander will be one of the winning companies over the next decade.

**Looking forward...**

The UK’s vote to leave the EU and Donald Trump’s victory in the US presidential elections confounded most expert predictions in 2016. And we have considered these and other potential unexpected international outcomes as we develop our plans.

For the next few years the effect of Brexit on our UK business will be as a consequence of anticipated slower growth in the economy as well as the weaker sterling effect on translation of our earnings.

However our strong balance sheet of prime mortgages and primary banking relationships allows us to be confident we will continue to deliver around or above our cost of capital.

Brazil should return to positive growth, after two years of recession, thanks to a sound set of economic reforms. It is a country with 220 million people and a large and growing middle class. Spain is expected to remain at the forefront of Europe’s recovery. The UK will continue to play a key role in the global economy. And Mexico’s government has shown it can manage through challenging times.



## OUR EIGHT CORPORATE BEHAVIORS



Our performance the past year, for example, in Portugal (€399 million, +33%) or Argentina (€359 million, +52%) shows that we can do very well for our customers and shareholders even when the macro conditions are not ideal. But we would always rather have the macroeconomic winds behind us.

Santander Brazil earned €1,79 billion in profits and is the single largest earnings contributor to Group. For the last two years, we delivered a return on tangible equity of 14%, despite an adverse economic environment: net profit to the Group grew by 15% in 2016 and did so in a sustainable way, adding 500,000 loyal customers and 2 million digital customers.

In the USA we have made regulatory progress, as we committed, we have improved how we manage the business and reduced risk.

At SBNA, we have lowered the cost of deposits, improved service and efficiency.

Our retail and commercial Bank in the USA - which represents 5% of our Group capital invested - will deliver significant growth over the next few years and I remain confident it will deliver considerable value to shareholders.

### ...through Active Collaboration

Our model of local subsidiary banks and teams, together with our ability to collaborate across countries gives us our “unfair advantage”. In a world which we anticipate being increasingly insular, this is a winning combination.

It leads to better outcomes for customers and value creation for shareholders.

We already do this better than most, as our best-in-class cost-to-income ratio demonstrates. But we can do more.

Allow me to share some examples: our new CRM (Customer Relationship Management)

tool in Poland was first developed in Chile and then taken and improved by the UK. It has been deployed through our internal “open services” model and is now being implemented in México.

Santander Wallet is a single global solution for around 400,000 of our commercial clients. It allows them to use a single wallet for all payments and channels, and offers additional, real-time, value added services to help our customers build their business. It has been launched in Brazil and Spain and will soon be available in Mexico and Chile.

Our microcredits programme in Brazil, supported by an equally strong programme of financial education, has helped 129,000 entrepreneurs to start and grow their businesses.

We are now expanding microcredits to Mexico to bring many more people into the financial system and pursue our goal of sustainable, inclusive growth.

As a management team, we are totally committed to embedding our behaviors and leading by example.

Commercial and financial performance is a given.

But what will make us a winner is a culture that allows people to speak up, to embrace change, to accept diversity of all types, so that we can fully realize the potential in our teams and in our markets.

“  
As a management team, we are totally committed to embedding our behaviors and leading by example. Commercial and financial performance is a given. But what will make us a winner is our culture.”





**PRIORITIES FOR 2017**

- Increase the number of loyal customers by a further 1.8 million to 17 million
- Raise the number of digital customers to 25 million
- Broadly stable cost to income ratio
- Continue to strengthen our capital
- Increase value for our shareholders

**...and the trust of 125 million customers, in both developed and developing markets.**

As I mentioned, we serve 125 million customers in ten core markets in Europe and the Americas that are home to more than 1 billion people. We have critical mass in all our markets. We have scale and we are in the right places. This represents a huge potential for value creation.

Our biometric technology, a joint project between Mexico and Brazil has made banking easier and more secure for 6 million customers in the past year. In the UK we have reduced the time it takes our customers to complete a mortgage application from up to 3 hours to less than 40 minutes, in a heavily regulated process.

We are collaborating with some of the most innovative FinTech startups through Santander Innoventures. And in H1 we will launch a new platform for Openbank, a digital bank in Spain which serves more than a million customers, with just 100 people and is already profitable.

Looking forward, through active collaboration, we have a unique opportunity for growth. To deliver on this opportunity we will invest in our people and in better use of technology, and we will work across the group to improve the customer experience and our efficiency.

**Our strategic priorities and goals for 2017**

We have clear goals for 2017: to increase our number of loyal customers by a further 1.8 million to 17 million, and keep developing our value-adding services.

We will continue to invest in technology to raise the number of digital customers to 25 million, while improving service and efficiency, aiming for a broadly stable cost to income ratio. And we will increasingly do it working across geographical boundaries.

Our aim is to continue to grow our capital by another 40bp whilst increasing our earnings and dividend per share and continuing to grow the value of our company, as measured by tangible net asset value per share. The delivery of our 2017 and 2018 goals will keep adding tangible net asset value to our shares.

**Conclusion**

2016 has not been an easy year, but we have delivered on our promises, and done so in the right way. Once again, we lent more, we earned more, and we became a better bank on every significant measure.

In a changing and complex environment, for the first time in years, we expect positive GDP growth in all of our markets in 2017.

The financial system plays an important role in supporting economic growth. And the Santander model is based on supporting this growth by maintaining appropriate capital levels, strong corporate governance and prudent risk management.

These are uncertain times. Volatility is growing and growth, overall, might slow. Technology is creating disruption. Automation is threatening jobs. In the short term, we need to retrain people, to encourage lifelong education so we



**Going forward, we have many opportunities for profitable growth in Europe and the Americas, in an environment we anticipate will be volatile but generally better than 2016**



can bring everyone with us in this new wave of growth, and ensure it is sustainable.

We have reflected on these trends, what they mean for us, and how to build a business that delivers in a sustainable way, with great performance for shareholders but that also cares about making a difference.

At Santander we are in an extraordinary position to help. Let's start with our 125 million customers. Add in their family members. Then all the businesses we serve, with employees ranging from a few to tens, even hundreds of thousands.

Every action we take to enable inclusive, sustainable growth has a powerful multiplier effect which will help the lives of millions of people. That is the power of our model.

In my first letter to you, only 2 years ago, I set out our strategy. Maintaining our traditional strengths, and foundations, we embarked on a profound process of change.

It is the sort of change that is not fully reflected in the news that generates media headlines. It is not just about acquisitions or appearing at the top of the rankings.

Our transformation is global and goes beyond these metrics. It is mostly about how we organize ourselves, how we behave, to succeed in a world changing at exponential speed all around us.

A more diverse, multicentric world, where being local is a must.

And at the base of our transformation is a culture of being local in each one of our markets while also encouraging a shared way of doing things that is Simple and Personal and Fair; this

culture binds us together across our 10 markets, fosters innovation and attracts the best talent.

At our Investor Day in London in September 2016 we set out our 2025 vision: to be an open platform for financial services. Importantly, as we transform the Group to succeed in the medium term, we are delivering today.

As I said when we announced our earnings for 2016, going forward, we have many opportunities for profitable growth in Europe and the Americas, in an environment we anticipate will be volatile but generally better than 2016. The key to our success for 2017 and beyond will be an ever-stronger collaborative culture across the Group and a shared purpose to help people and businesses prosper.

I am confident Santander will continue to deliver because of the 190,000 people who work hard and work together every day, and to whom I would like to say thank you.

And to all of you, to our customers, to our shareholders, our communities, thank you for your trust.

With your continued support, the best is yet to come.

Ana Botín  
Group Executive Chairman



**I am confident Santander will continue to deliver because of the 190,000 people who work hard and work together every day, and to whom I would like to say thank you**



# Corporate governance

Santander has a solid corporate governance, based on its strong culture and values, which assures that management is aligned with the interests of our stakeholders. Corporate governance is an essential factor in leveraging value creation.



## Balanced board composition

- Of the 15 directors, 11 are non-executive and 4 executive.
- More than half of the directors are independent.
- Commitment to diversity of knowledge, gender and international experience.



## Respect for shareholders' rights

- The principle of one share, one vote, one dividend.
- The bylaws do not contain anti-takeover clauses.
- Encouragement of informed participation at shareholders' meetings.



## Maximum transparency in remuneration for board members and senior management

- Remuneration policy for executive directors and senior management, aligned with the Simple, Personal and Fair culture.



## Listed in socially responsible investment indices

- Santander has been listed on the DJSI and FTSE4Good indices since 2000 and 2002, respectively.
- Ranked as the 5th best Bank in corporate governance by the DJSI.

### » Board of directors

The board of directors is the Group's top decision-making body, except for matters reserved for the general shareholders' meeting.

Within the framework of its general supervisory function, the board has the final word on decisions concerning the Group's strategy and main policies, corporate culture, the Group's organisational structure, and the approval of appropriate social responsibility and corporate governance policies. The board also approves and monitors the risk framework and appetite, and ensures that the three lines of defence model (business and risk origination; risk control and compliance; and internal audit) is respected.

Banco Santander's board of directors is a well-balanced mix of executive and non-executive directors.

This year the board's diversity was strengthened, giving it a more international and technological profile, and increasing the number of female directors.

The board's various checks and balances include the position of lead director, who coordinates the non-executive directors and chairs, among other committees, the Risk Supervision, Regulation and Compliance Committee. Its functions include periodically assessing the corporate governance system as well as reviewing and monitoring the

sustainability policy, and evaluating the degree of compliance therewith. The lead director is responsible for proactively communicating with investors to hear their points of view, in particular with regard to corporate governance.

### » Remuneration policy

Banco Santander's remuneration policy:

1. Is in line with shareholders' interests, encouraging the creation of long-term value, and is compatible with rigorous risk management.
2. Features a performance-based pay structure based on financial and non-financial metrics. The non-financial variables are linked to achieving the strategic targets related to employees, customers, shareholders and communities.

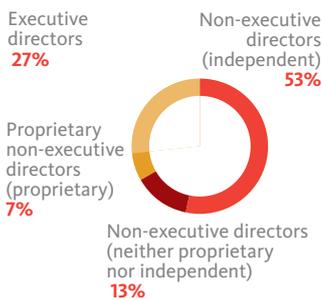


**13**

meetings of the board of directors were held in 2016

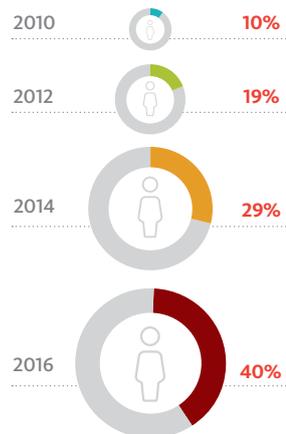
## » Banco Santander's board: diverse and balanced

### ■ Composition of the board % of directors

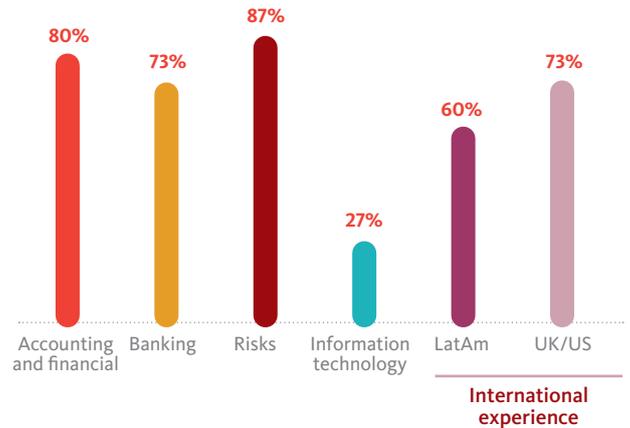


**73%**  
Non-executive directors

### ■ Board diversity % of female directors



### ■ Board members with relevant experience %



## » Internal governance

The Santander Group comprises several independent subsidiaries with their own capital and liquidity, the parent of which is Banco Santander, S.A. The Group's internal governance system comprises a governance model and a set of corporate frameworks.

The model establishes the levels of interaction between the Group and subsidiaries:

- at the level of the boards of directors of the Group and of its subsidiaries;
- at the level of the Group and local CEOs;
- at the level of internal control, support and business functions.

The corporate frameworks constitute common operating principles for those matters considered important due to their impact on the Group's risk profile, such as risks, compliance, technology, auditing, accounts, finances, strategy, human resources, communication and brand.



In September, a Group Strategy Update was held with more than 130 investors and analysts.

# Risk management

Risk management and the compliance and conduct functions are key in order for the Group to continue being a solid, secure and sustainable bank.

## Risk management model

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

Santander is characterised by having a predictable medium-low risk profile, an independent risk function and a strong risk culture (risk pro).

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

In the area of sustainability, in addition to all matters relating to the compliance and conduct function, it is particularly important in analysing

social and environmental risks (see page 69 of the Environment chapter).

## Code of Conduct

Ethics form an integral part of the Group's corporate culture and values, as reflected in the new corporate behaviours. The General Code of Conduct brings together the ethical principles and rules of conduct governing the actions of all of the Bank's employees, including equal opportunities and non-discrimination, respect for people, work-life balance, occupational risk prevention, environmental protection and compliance with sustainability policies.

The general Code of Conduct extends to all Bank's employees and is available on the Bank's website. The Group has five main internal whistleblowing channels.

## THREE LINES OF DEFENCE

1. Business lines that create or generate risk
2. Risk management:
  - and supervision functions
  - compliance and conduct
3. Internal audit function

## Risk Pro is our risk culture



### RESPONSIBILITY:

Risk management is everyone's responsibility.



### RESILIENCE:

The Bank must be flexible and prudent to ensure sustainability in different situations.



### SIMPLICITY:

Talk about risks in a simple and clear way.



### CHALLENGE:

We must question what we do and ask ourselves if this is the best way to manage risks.



### CUSTOMER FOCUS:

All our risk management must be focused on the customer.



During 2016, around 450 complaints have been received out of which approximately one third have resulted in a disciplinary procedure. The most common reason for these complaints is related to human resources issues which represent around three of every four complaints received. The rest are of various origins (for example dishonest conduct or fraudulent activity, conflict of interest, mis-selling and others).

### Commercialisation of products and services and consumer protection

The Group fosters a culture of good conduct, promoting transparency and an approach that is Simple, Personal and Fair towards customers to protect their rights. In 2016 the board of directors approved the new corporate framework for marketing products and services and consumer protection, providing greater depth and promoting synergies.

This new framework defines the basic principles applicable to mitigating the risks arising from inappropriate practices, the Bank's dealings with customers, the products it offers thereto and their suitability for each customer, covering all marketing and distribution phases (design, sale and post-sale).

The marketing and consumer protection functions are supported by an internal governance structure that ensures the necessary involvement of the Group's managing bodies and senior management.

### Anti-corruption policy

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

### Prevention of money laundering and financing of terrorism

Santander has a system to prevent money laundering and the financing of terrorism. The system is kept constantly in line with the latest international regulations and is able to adapt to new techniques used by criminal organisations.

The Bank also has a corporate framework that establishes the principles and policies concerning this matter and the minimum standards that must be adhered to by local units. These include those responsible for managing and coordinating the procedures for the prevention of money laundering and financing of terrorism, and investigating and dealing with any reports of suspicious activities and any requests for information from supervisors.

### Cyber risk

Cyber risk is increasingly important against the backdrop of digital transformation. The Bank works to enhance protection based on international standards and preventative measures, so that it is ready to respond to any attacks against its technological system, and to protect the security of its information and prevent fraud (see page 45 of the Customers chapter).

### Fiscal policy and strategy

The main principles governing Banco Santander's actions regarding fiscal matters, included in its fiscal policy and strategy approved by the board of directors, are as follows:

- Comply with tax obligations, based on a reasonable interpretation of the applicable regulations that reflects the spirit and purpose of the law.
- Pay taxes in accordance with the true legal and economic nature of the activities carried out.
- Avoid any tax planning that may be considered aggressive.
- Ensure transparency and avoid the use of opaque structures for tax purposes.
- No advisory or tax planning services of any nature may be provided to customers when marketing and selling financial products and services.
- Collaborate with the tax authorities in providing true and complete information.

In short, the purpose of this strategy is to adopt all those good practices that enable both tax and reputational risks to be prevented and reduced, thus providing greater legal and economic security for the bank and its shareholders. (The fiscal strategy is available on the corporate website).

### Main business indicators on the prevention of money laundering in 2016

Subsidiaries reviewed*	169
Investigations	118,453
Disclosures to authorities	32,036
Training course attendances	139,246

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

### SANTANDER CYBER SECURITY PROGRAMME



- management based on the three lines of defence;
- an approach based on cyber-resilience, including prevention, identification, detection, protection and response actions;
- elements of cyber security that affect training, access control and segregation of functions, and secure software development; organisational enhancement initiatives.

# Sustainability management

For Banco Santander, being sustainable means doing business while at the same time contributing to the economic and social progress of the communities in which the Bank is present, and taking into account its environmental impact and fostering stable relationships with its main stakeholders.

This commitment to sustainability involves ensuring that strong ethical, social and environmental criteria are integrated in the Bank's strategy and business model and in its internal policies and processes, and affects very different areas in a cross-disciplinary manner.

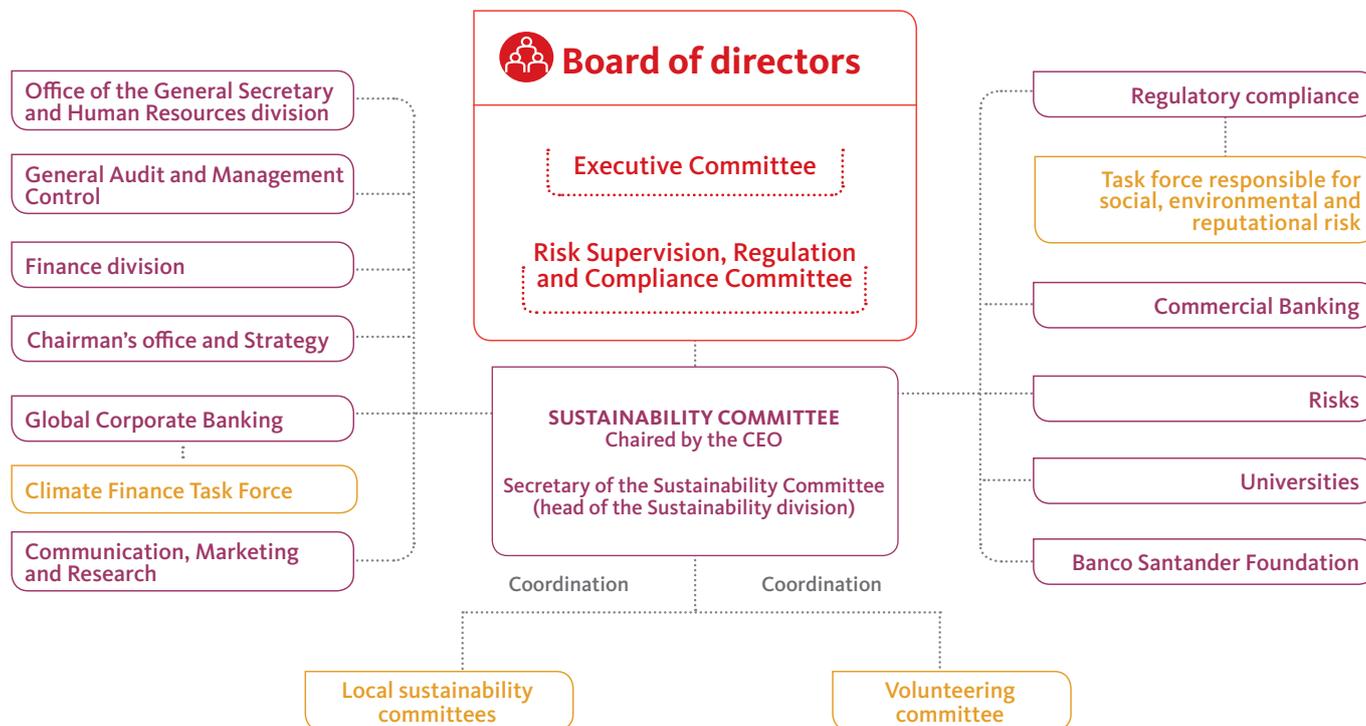
Banco Santander has a defined sustainability governance structure, both at the corporate and local level.

Pursuant to the rules and regulations of the board of directors:

- The board approves the Group's general policies and strategies, including those relating to sustainability. It may not delegate this function. It also approves the sustainability report.
- The Risk Supervision, Regulation and Compliance committee oversees the corporate social responsibility policy, making sure it is followed and is aimed at creating value for the Bank.

The Executive Committee is also regularly provided with reports on the progress made regarding sustainability.

Banco Santander has a Sustainability Committee that meets at least once a year and proposes,





coordinates and promotes the Bank's main sustainability initiatives.

At the meeting held in November 2016, the following initiatives, among others, were proposed:

- To amend the general sustainability policy in order to bring it into line with the new consumer protection policy, to update the climate change policy to adapt it to the new international environment after the summit in Paris, and to improve internal environmental management.
- To drive and strengthen the Bank's position with regard to climate change through the Climate Finance Task Force, and to make changes to the efficiency plans in force.
- To promote the development of impact metrics for community investment projects.

- To move forward with managing the Bank's diversity, incorporating the special features of each of the countries in which the Group has a presence.

Santander also has a task force to assess the reputational risk stemming from any financial transactions with a social or environmental impact, which issues non-binding recommendations to the relevant decision-making body.

This task force is chaired by the Group Chief Compliance Officer and is comprised of members of Compliance, Risks, Sustainability, Legal Advisory, Communications and the business areas. This work group was replicated at local level in 2016.

Lastly, as the third line of defence, internal audit regularly assesses the sustainability function. The last audit was carried out in 2016.

### CLIMATE FINANCE TASK FORCE

In 2016 Banco Santander created the Climate Finance Task Force, the main objectives of which are as follows:

- To define the Group's strategy and position regarding climate change.
- To identify and analyse business opportunities and risks that may arise as a result of the transition to a low-carbon economy.
- To adapt business processes and information systems in view of new regulatory initiatives, including those aimed at greater transparency in climate change management.

This task force is composed of Global Corporate Banking, Risks, Compliance, Commercial Banking, Innovation, Strategy, Financial Management, Public Policy and Sustainability.

### International initiatives to which Banco Santander is party



## Sustainability policies

Banco Santander has several policies, codes and internal rules regarding sustainability.

Following the in-depth review of the sustainability policies carried out in 2015, Santander adapted its internal risk processes, both at the corporate and local unit level, in order to bring them into line with current policies. The sustainability policies are reviewed on an annual basis by the board of directors.



### Other relevant policies

In 2016 Santander strengthened its rules of conduct with the approval of the following policies:

- Policy for financing political parties: This policy establishes a general prohibition from making donations to any political party or contributions to electoral campaigns, whereby the financing must be provided under market conditions and with the approval of the executive committee. The forgiveness of debt is also prohibited.
- Policy on conflicts of interest: This policy is comprised of a single document which includes

several internal rules and codes for the purpose of providing greater clarity and incorporating new regulations. It establishes the rules with regard to potential conflicts of interest between Banco Santander or its companies and its employees, customers, directors, shareholders and any other third parties directly or indirectly related to the Bank.

- Policies for sensitive sectors: These policies provide for greater control over financing activities in the following sectors: the media, gambling, sport clubs and associations, trade unions, professional associations and non-governmental organisations.



QR code reader  
More information about sustainability policies



# Dialogue and value creation for stakeholders

The relationship with stakeholders is a key element of Banco Santander’s strategy and corporate culture to fulfil the Bank’s purpose of helping people and businesses prosper, and its aim of becoming the best retail bank.

The sustainability policy defines and identifies key aspects of the Bank’s relationships with its various stakeholders. The rules and regulations of the board of directors assign responsibility for overseeing and assessing processes involving stakeholders to the Risk Supervision, Regulation and Compliance Committee. The general code of conduct and corporate behaviours define and establish the basis for all actions to be applied by Bank personnel in their day-to-day activities, including those related to the Bank’s stakeholders.

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

In 2016 the Bank carried out over 250,000 interviews worldwide among its main stakeholders: the general population (customers and non-customers), employees, shareholders and university students. These surveys are carried out on a recurring basis to listen to the opinion of these groups, measure the Bank’s public image

and understand their assessment of Santander as a Simple, Personal and Fair bank.

In 2016 Santander also actively participated in numerous local and international conferences and task forces to understand the various expectations of its stakeholders.

Examples include:

- Participation in task forces of some of the most effective organisations, such as the Banking Environmental Initiative (BEI), the United Nations Environment Programme (UNEP), the World Business Council for Sustainable Development (WBCSD), and with the presidency of the Group executive chairman of Banco Santander on its Executive Committee, the World Resources Institute (WRI), the Institute of International Finance (IIF) and CDP (previously known as Carbon Disclosure Project).

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

**In 2016 Santander actively participated in numerous conferences and task forces at the local and international level in order to understand the various expectations of its stakeholders**

## Key dialogue channels for stakeholders

Stakeholders	Main dialogue channels	Performance figures
Employees	Global Engagement Survey	85% participation. 78% of employees committed to the Bank
	Motivation and work-life balance	91% of employees are familiar with the Simple, Personal and Fair corporate culture
	Whistleblowing channel	Around 450 complaints received
Customers	Commercial channels	472 offices were renovated in 2016 to improve customer service
	Satisfaction surveys	87.5% satisfaction among active retail and commercial customers
	Complaints management	70% of claims received are resolved in under 10 days
Shareholders	Group Strategy Update	Over 200 analysts and investors attended
	Shareholder services	186,953 queries managed through remote channels
	Forums and meetings with shareholders	183 events held
Communities	Collaborations with NGOs, universities and other institutions	1,183 agreements with universities and academic institutions 7,194 collaborators with NGOs and social institutions
	Social networks	192 profiles and 12.2 million followers

## Banco Santander and its commitment to the Sustainable Development Goals

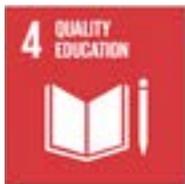
All social agents, including companies, must contribute to the Sustainable Development Goals (SDG) of the United Nations. Banco Santander contributes directly to achieving the SDGs through its business activities and its community investment programmes. The Bank places great importance on promoting and understanding these goals both at an internal level and externally through all its stakeholders. The Bank is developing a new method for measuring the achievements and impacts of its community investment which, among other aspects, identifies and measures the Bank's contribution to the goals.



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



Collaborates with many social institutions to improve the quality of life of people and meet their needs.



Promotes university education to help the communities in which it is present to prosper.



Has an open attitude towards diversity as a way of increasing its human capital.



Endeavours to attract and retain the best talent, and wants its professionals to be motivated, committed and fairly paid.



Promotes financial inclusion within communities and drives training, enterprise and job creation.



Helps people and businesses prosper to support the sustainable growth of communities.



Ensures ethical, social and environmental criteria are properly followed to develop responsible activities.



Analyses the social and environmental risks in its transactions and promotes financing for renewable energies projects to support the fight against climate change.



# Identification of material concerns

Banco Santander regularly analyses the social, environmental and ethical internal and external issues that are most relevant to its stakeholders. This process helps to define the contents of the report and the general sustainability agenda.

This systematic analysis process and our stakeholder-dialogue processes are central to compliance with the Global Reporting Initiative G4 (GRI G4) and the AA1000 accountability standards. They establish the Bank's main focus areas with regard to sustainability.

In 2016, Banco Santander explored new and more sophisticated ways of analysing data in order to determine the most important issues for its business. The use of new technologies enables the Bank to analyse large volumes of qualitative information regarding sustainability.

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

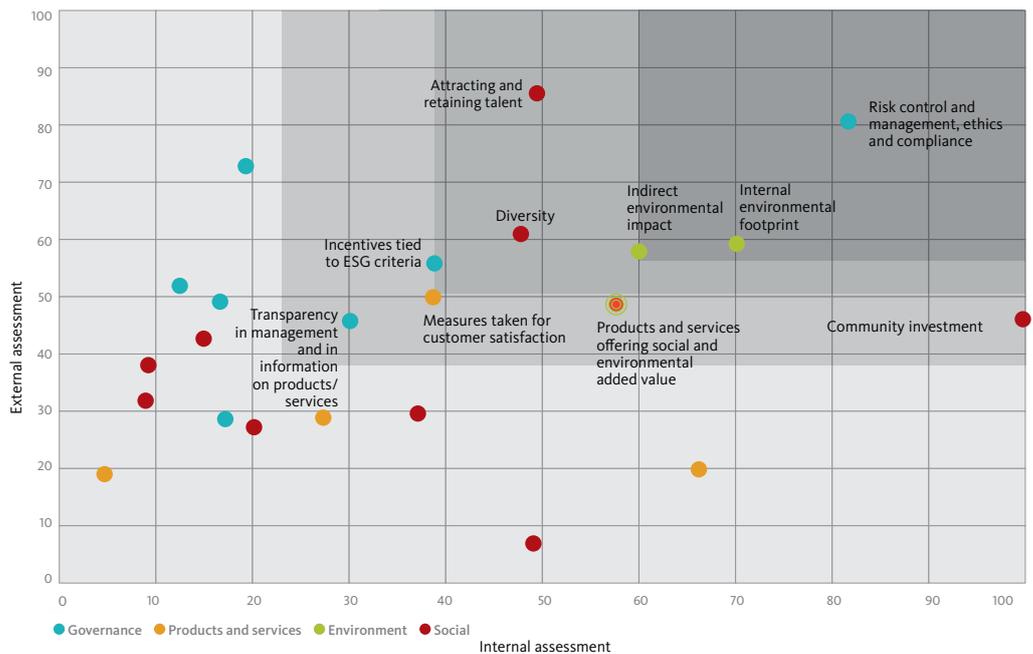
- Analysis of regulatory frameworks in the ten main countries in which the Bank operates.
- Materiality analysis of other banks.
- Analysis of social networks (Twitter).
- Analysis of the main voluntary reporting frameworks (GRI-G4, Integrated reporting framework, Sustainability Accounting Standards Board Material Topics for Commercial Banks, etc.)

The scope of other analyses was also expanded, such as the ESG investors' analysis (with the inclusion of new analysts) or the analysis of potential controversies (including new sources and references).

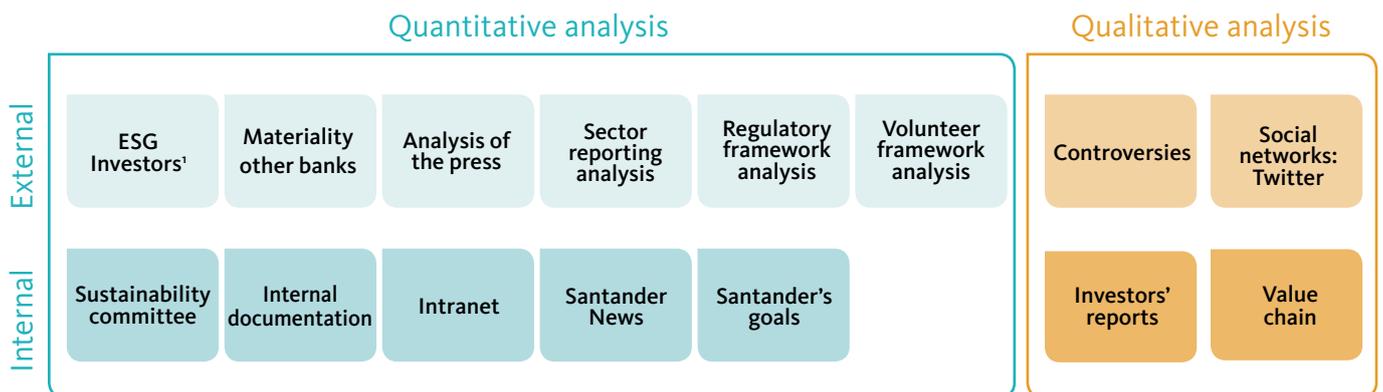
**In 2016 the capacity to analyse and identify material aspects was expanded through technological tools for analysing data and information**

## Matrix for identifying material concerns

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



## Process of identifying material concerns



1. ESG investors: environmental, social and governance investors.

# Economic contribution

## EMPLOYEE REMUNERATION



**11,004** million euros in personnel expenses

Banco Santander has 188,492 employees with an average age of 38 and average length of service of 10 years. Santander is also a staunch proponent of stable employment, with 97% of its contracts being permanent.

## CUSTOMER RETURNS



**12,886** million euros in deposits accrued at year end

Santander offers a variety of savings and investment products and services to its customers so they can maximise the return on their finances. These products are aimed at individuals and families, as well as companies and public institutions.

## CREDIT



**790,470** million euros in net loans outstanding at year-end

Banco Santander offers a variety of financing solutions to individuals, companies and institutions in order to make their projects, businesses or activities a reality. In 2016, loans, and particularly financing for families and companies, were up in nine of the ten main markets in which the Group operates.

## SHAREHOLDERS



**2,469** million euros in shareholder remuneration

Banco Santander offers its 3.9 million shareholders attractive and sustainable return, protects their ability to exercise their rights and promotes transparency of information to maintain their loyalty in the long term.

## TAXES WITHHELD AND PAID



**15,820** million euros in taxes and other levies withheld and paid

The Santander Group contributes both economically and socially to the countries in which it operates by paying all its direct taxes and withholding indirect taxes from third parties.

## SOCIAL INVESTMENT IN THE COMMUNITY



**209** million euros in social investment in the community

Banco Santander helps to drive economic and social development through initiatives and programmes aimed at promoting education, entrepreneurship and welfare. Investment in higher education is the Bank's main focus and a hallmark of its social commitment. Long-standing strategic partnerships with universities around the world are forged through the Bank's Universities programme.

## SUPPLIER PAYMENTS

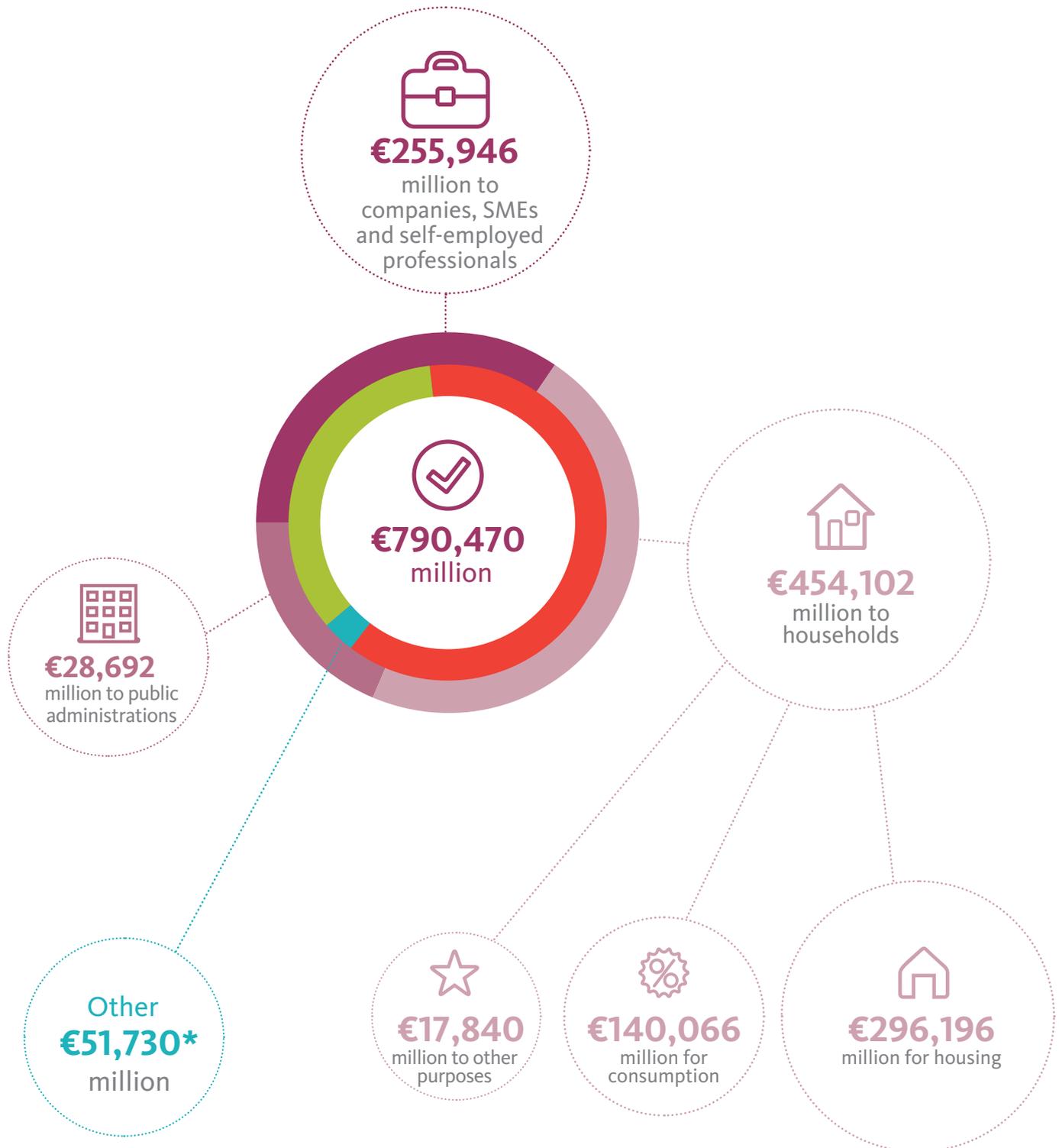


**7,249** million euros in payments to suppliers

Santander trades with a total of 7,535 approved suppliers through its global procurement model. 95% of the suppliers with which the Group operates are local suppliers.



## Distribution of loans at 2016 year end (millions of euros)



\* Includes financial business activities and customer prepayments.

# Aim and value creation

Strategic priorities	Area of action regarding sustainability
 <p><b>Employees</b></p> <p>Be the <b>best bank</b> to work for and have a strong internal culture.</p>	<ul style="list-style-type: none"> <li>• Employment and diversity</li> <li>• Developing talent</li> <li>• Commitment</li> <li>• Volunteering</li> </ul>
 <p><b>Customers</b></p> <p>Earn the <b>lasting loyalty</b> of our individual and corporate customers: improve our franchise</p> <p><b>Operational excellence</b> and digital transformation</p>	<ul style="list-style-type: none"> <li>• Quality service and customer satisfaction</li> <li>• Multi-channel strategy</li> <li>• Products and services with a social and/or environmental component</li> </ul>
 <p><b>Shareholders</b></p> <p><b>Capital strength</b> and risk management</p> <p>Improve <b>profitability</b></p>	<ul style="list-style-type: none"> <li>• Presence on sustainability indices</li> <li>• Shareholder remuneration</li> </ul>
 <p><b>Communities</b></p> <p>Santander Universities</p> <p>Support people in the <b>local communities</b> in which the Bank operates</p>	<ul style="list-style-type: none"> <li>• Support for higher education</li> <li>• Entrepreneurship and job creation</li> <li>• Promotion of social welfare in the communities</li> </ul>
<b>Other sustainability priorities</b>	
 <p><b>Environment</b></p> <p>Ensure our business helps protect the <b>environment</b></p>	<ul style="list-style-type: none"> <li>• Contribute to curbing climate change</li> <li>• Reducing our environmental footprint</li> </ul>
 <p><b>Suppliers</b></p> <p>Ethics, transparency and quality of <b>service</b></p>	<ul style="list-style-type: none"> <li>• Manage the Bank's procurement processes rigorously and responsibly</li> </ul>



Indicators	2016	2015	2014
<ul style="list-style-type: none"> <li>Employees with permanent employment contracts</li> <li>Female employees</li> <li>Employees trained</li> <li>Employees proud to work at Banco Santander</li> <li>Employees taking part in social initiatives</li> </ul>	97% 55% 95% 84% 63,865	97% 55% 93% 82% 55,254	96% 55% 97% -- 59,569
<ul style="list-style-type: none"> <li>Number of geographies where the Bank ranks in the Top 3 for customer satisfaction compared to its competitors</li> <li>Loyal retail customers (millions)</li> <li>Digital customers (millions)</li> <li>Loans to micro-businesses (€ million)</li> <li>MW renewable energy financed</li> </ul>	8 15.2 20,9 150 7,082	5 13.8 16.6 158 7,362	-- 12.6 14.1 314 5,197
<ul style="list-style-type: none"> <li>Position in the Dow Jones Sustainability Index (DJSI)</li> <li>Growth in earnings per share</li> </ul>	6 1%	11 -16%	5 24%
<ul style="list-style-type: none"> <li>Scholarships for students and educators</li> <li>Projects in partnership with universities</li> <li>Jobs brokered through Universia-Trabajando</li> <li>Collaborations with NGOs and other social entities</li> <li>Million people helped</li> </ul>	36,684 3,549 1 M 7,194 1.7	35,349 3,900 1 M 7,125 1.2	28,443 4,700 1.1 M 8,739 --
<ul style="list-style-type: none"> <li>Reducing CO2 emissions</li> <li>Electricity from renewable energy sources</li> </ul>	6.8% 41%	3.7% 40%	4.8% 38%
<ul style="list-style-type: none"> <li>Approved suppliers</li> </ul>	7,535	7,021	7,151

# Employees

- People management strategy
- Talent management
- Promoting professional development
- Remuneration and benefits
- People's experience





## ■ Distribution of Group's people



## ■ Distribution by job type



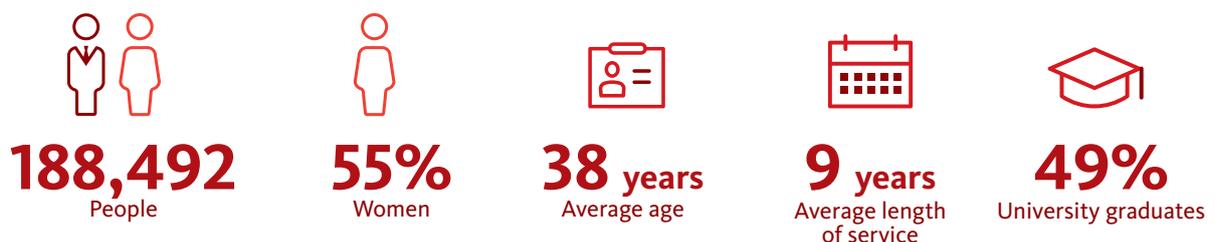
## ■ Breakdown by type of contract



## ■ People in 2016\*

Entity	No. people
Argentina	7,940
Brazil	46,728
Chile	11,999
Spain	23,017
Mexico	17,608
Poland	12,001
Portugal	6,306
United Kingdom	25,688
United States	17,509
Santander Consumer Finance	14,928
Other companies	4,768
<b>Total</b>	<b>188,492</b>

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



# Employees

In the virtuous circle, it is vital that Santander's 188,492 employees are motivated and committed and that they play an active role in the Bank's ongoing cultural transformation, so as to help people and businesses prosper.

People play a key role in the cultural transformation aimed at fulfilling the Bank's purpose of helping people and businesses to prosper. Hence, Santander has designed a new people management strategy which is focused on six major challenges. We have also highlighted eight corporate behaviours which must be applied by our 188,492 people in their daily work. These behaviours have been identified to make Santander a Simple, Personal and Fair bank.



**Target 2018**  
**TOP 3**  
best place to work in our key markets, according to relevant local rankings

**Achievements in 2016:**  
Top 3 in 4 of the key markets where we operate

**Prosperity is development**  
Isabel Villagomez,  
Private Banking,  
Santander Mexico



## Corporate behaviours for being a more Simple, Personal and Fair bank



I show respect



I truly listen



I talk straight



I keep promises



I support people



I embrace change



I actively collaborate



I bring passion

## OUR PEOPLE MANAGEMENT STRATEGY FOCUSES ON SIX MAIN CHALLENGES



**1 Talent management**  
Helping people to grow professionally in a global setting.



**2 Knowledge and development**  
Offering continuous training and development to enhance our people's skills and capabilities.



**3 Remuneration and benefits**  
Setting clear targets and rewarding not only for results, but also for the way in which the results are achieved.



**4 Culture**  
Ensuring that the entire Group shares the *Santander Way*, a common culture focused on the purpose, aim and a way of doing things that helps to make us the best bank for our people, customers, shareholders and for society at large.



**5 Technology**  
Using the advantages of digitalisation to manage people in a more personal, simple and fair way.



**6 People's experience**  
Promoting teams' engagement and motivation through initiatives which encourage listening, a more flexible way of working, helping people to find a good work-life balance, and a healthy working environment.



## » Talent management

To help people to grow professionally under the current global environment, the Bank has continued to improve its talent management processes in 2016, developing new initiatives and fostering those already in progress:

- **New corporate segmentation:** A new corporate executive segmentation has been defined and communicated, enhancing transparency and meritocracy within the Group. Appointments are defined in accordance with objective (input, results) and individual (performance, potential) criteria.
- **Succession plans:** A succession policy setting out guidelines for monitoring and managing job replacements and succession planning was approved. A common and structured approach was adopted for key senior management positions and control functions.
- **Talent assessment committees:** Over 1,500 managers were assessed. Around 35% of them have an individual development plan.
- **360° assessment:** The 360° assessment was launched for Group executives, as the first phase of the corporate performance management model. Managers are assessed with regard to use of the eight corporate behaviours by their peers, the persons reporting to them and by their immediate superior.

- **Global Assessment Programme – GAP:** A new programme to identify the senior management's areas for improvement and strong points, and to design an action plan to help in the Bank's transformation process, through which 300 managers have been interviewed in 15 countries.
- **International mobility:** The Group has continued to promote tools and programmes which its people can use to exchange best practices and to develop a global overview.
  - *Global job posting:* a corporate platform offering all people the chance to apply for vacant positions in other local units, companies or divisions. Since it was launched in 2014, over 2,600 global jobs have been posted and over 680 positions have been covered in 16 countries.
  - *Mundo Santander,* the corporate development programme in which professionals work for three months in another country. Since its launch, 1,569 people have taken part in 26 different countries.
- The *Talent in Motion (TiM)* programme, which is aimed at accelerating talented young people's development, transferring them to a country other than their own, where they perform different tasks to that of their usual post.



25,589\*  
recruitments

31,428  
terminations

70.6%  
of people covered by  
collective bargaining  
agreement

8.7%  
of the workforce  
promoted

\* 21,525 are new hires, while the remaining 4,064 relate to people returning to work after an absence or transfers of existing people between Group companies.

In 2016 the Bank completed a restructuring process in several business areas in order to improve operating efficiency and excellence. We strived to ensure the process was carried out fairly and negotiated an agreement with workers' representatives. Criteria relating to transparency and care for those affected were applied throughout the process, maintaining the agreed-upon terms and conditions, facilitating relocation when possible and incorporating a support plan with an external company that specialises in helping people find a job within a reasonable period of time.

### Workforce distribution by age bracket % of total

	aged <= 25	aged 26-35	aged 36-45	aged 46-50	aged over 50
Mainland Europe	3.55	25.81	34.34	15.51	20.79
United Kingdom	15.13	34.33	23.73	10.21	16.60
Latin America and other regions	11.16	43.51	26.25	8.15	10.93
<b>Group total</b>	<b>9.33</b>	<b>36.58</b>	<b>28.44</b>	<b>10.78</b>	<b>14.87</b>

### Distribution of new hires by age bracket % of total

	aged <= 25	aged 26-35	aged 36-45	aged over 45
Mainland Europe	28.55	49.55	16.82	5.08
United Kingdom	52.21	28.08	11.04	8.66
Latin America and other regions	36.32	42.24	13.76	7.68
<b>Group total</b>	<b>37.93</b>	<b>40.88</b>	<b>13.82</b>	<b>7.37</b>

### Diversity

Banco Santander considers that diversity enhances human capital, encourages an inclusive working environment, and offers better solutions and higher more value added.

Santander takes into account all sources of diversity -including gender, race, age, national origin, disability, culture, education, professional and life experiences- when managing its people's talent.

The Bank is currently drawing up a corporate diversity policy which will be the blueprint for initiatives carried out in the various countries where the Group operates. including all the sources of diversity referred to above, and which will be applied to all talent management stages in the Bank (recruitment, training, professional development, remuneration, etc.).

Banco Santander encourages gender diversity. Banco Santander is one of the 52 financial services companies in the inaugural gender equality index compiled by Bloomberg and which recognises companies' efforts to foster equality and gender diversity in the workplace.

### Employees by entity and gender

Entity	% men	% women	% univ. grad.
Argentina	51	49	27
Brazil	42	58	73
Chile	45	55	54
Spain	58	42	74
Mexico	47	53	47
Poland	27	73	80
Portugal	54	46	49
UK*	41	59	n.a.
United States	41	59	18
Santander Consumer Finance	46	54	27
Other companies	49	51	42
<b>Total</b>	<b>45</b>	<b>55</b>	<b>49</b>

\* Santander UK does not report data for confidentiality reasons.

### Functional distribution by gender

	Senior management			Other managers			Partners		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Mainland Europe	900	237	<b>1,137</b>	6,518	3,576	<b>10,094</b>	21,374	27,650	<b>49,024</b>
United Kingdom	145	39	<b>184</b>	1,293	580	<b>1,873</b>	8,980	13,663	<b>22,643</b>
Latin America and other regions	501	95	<b>596</b>	6,453	3,933	<b>10,386</b>	38,803	53,752	<b>92,555</b>
<b>Group total</b>	<b>1,546</b>	<b>371</b>	<b>1,917</b>	<b>14,264</b>	<b>8,089</b>	<b>22,353</b>	<b>69,157</b>	<b>95,065</b>	<b>164,222</b>

### Gender Diversity

In 2016, the Group had 9% more women in executive positions than in 2015, rising from 33% to 35%. The percentage of women in boards of directors, both in the Group and in local units, also increased. Women now account for 40% of the members of the Group's board of directors, putting Banco Santander in line with Spain's National Securities Market Commission's recommendations (30%) and the EU's own guidance (40%), and much higher than the European and Spanish averages (21% and 20% respectively).

In 2016, we continued to promote female leadership development at both a corporate and local level:

- *Take The Lead*, our corporate programme, and *Sumando Talento* at our corporate centre, are both aimed at women in executive or pre-executive positions to encourage talent development and leadership.
- The gender diversity programme launched in **Santander Spain** will enable 300 professionals (150 mentees and 150 mentors) to participate in various training models throughout the year and to hold different work sessions. The training for the mentees will cover their professional goals, development strategies and tools necessary to successfully carry out their work on a daily basis. Participants were selected based on their performance and level in the organisation. Similarly, their visibility and recognition in the bank will be strengthened.

Additionally, in 2016 **Santander Totta**, along with 78 other organisations, signed the Portuguese Charter for Diversity, in which they publicly assumed the commitment to accept, respect and foster diversity.

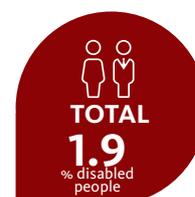
In the United Kingdom, **Santander UK** received the Visionary Award for Innovation in Shared Value from the Women Corporate Directors Foundation (WCD). The WCD is the only community and global organisation of directors formed by women that hold corporate management positions.

### People who work in their home country\*

	Managers	Other people	Total
Mainland Europe	87.9	97.5	<b>97.4</b>
Latin America and other regions	87.1	99.0	<b>99.0</b>
<b>Group total</b>	<b>87.6</b>	<b>98.5</b>	<b>98.4</b>

\* Does not include data for the United States and the United Kingdom.

### Differently-abled people\*



\*Excludes Santander USA.



Solaruco, Santander Group City, in Boadilla del Monte, Madrid, Spain.

## » Fostering professional development

Personal training is a priority in the Group's management, and an essential part of the Bank's cultural transformation. In 2016, the Group earmarked €89 million for personal training. The main initiatives are:

- **Solaruco Pop Up**, an initiative aimed at spreading the knowledge taught in the Corporate Training and Development Centre to all Group professionals. Over 1,000 people have taken part in Argentina, Chile, Brazil, Mexico and Santander Consumer Finance.
- Roll-out of the **Building The Santander Way** corporate programme, which supports executives in their role as ambassadors of the new culture and stresses the importance of leading by example. This programme has been organised nine times, and 380 executives have taken part.
- Launch of the **Santander Business Insights** conference cycle, which is focused on the eight corporate behaviours, on sharing internal and external good practices which help to convey the culture in the Group.

*Serenity* is a new working model being deployed at Santander to adapt to our customers' needs and become an innovative, digital and competitive organisation. It is based on more agile and transversal methodologies (*Design thinking, Scrum and devOps*). In November 2016, over 35 representatives from the Technology areas in Brazil, Spain, Mexico, Poland, Germany, Chile, Argentina and Portugal, as well as other global areas, met at corporate centre to brainstorm this model. The delegates took part in presentations, workshops and networking activities to agree on the *Serenity* strategy moving forward.



In 2016, Santander has earmarked **89** million euros in its personal training.

## ■ Training

Total investment in training



€88,815,825 2016      €103,697,123 2015

Percentage of people trained



94.5% 2016      93.7% 2015

Hours of training per person



34.1 2016      39.4 2015



Select Brasilia branch.

### » Remuneration and benefits

In 2016, Santander developed a series of remuneration principles which are used as a framework in this area. Based on these principles, the Group promotes a total remuneration system that includes fixed remuneration, in accordance with the role and level of responsibility; and a short- and long-term variable remuneration component based on meeting Group targets.

In 2016, Santander developed a series of remuneration principles which are used as a framework in this area. Based on these principles, the Group promotes a total remuneration system which includes fixed remuneration according to the person's role and level of responsibility; and short- and long-term variable remuneration based on achieving the Group's targets

Following the definition in 2016 of the corporate behaviours which all our people must follow to make the bank more simple, personal and fair, we are incorporating these corporate behaviours in our variable remuneration.

- These behaviours are taken into account when setting variable remuneration.
- We use 360° feedback methodology for executives which includes the opinions of their teams and other employees they interact with as well as their line manager.

The variable remuneration of our 8,000 executives includes achieving the Group's strategic objectives based on our four stakeholders: people, customers, shareholders and society in general. Quantitative

and qualitative aspects of their achievements are considered, such as correct risk management, the commitment of our people, the support of the community and customer satisfaction.

Employees and their families are also entitled to certain benefits (banking products and services, life and health insurance). In some geographies, people can choose which benefits to enjoy.

#### Ratio between the Bank's minimum annual salary and the legal minimum annual salary by country (%)

	Bank's minimum wage/ Legal minimum wage
Germany	210
Argentina	244
Brazil	189
Chile	205
Spain	196
United States	163
Mexico	139
Poland	114
Portugal	179
United Kingdom	240

#### BANCO SANTANDER REMUNERATION PRINCIPLES

- Remuneration is aligned with our shareholders' interests and focused on creating long-term value while being compatible with rigorous risk management and the Group's long-term strategy, values and interests;
- fixed remuneration must account for a significant part of total remuneration;
- variable remuneration rewards people for having achieved the agreed targets, based on the post and responsibilities under prudent risk management;
- variable remuneration must promote good conduct, and not be used as an incentive to sell a product or service if there is another one which is better suited to the customer's needs;
- it should offer suitable benefits to support people;
- the general remuneration package and structure must be competitive, so as to help attract and retain people;
- when taking remuneration-related decisions, it is essential to avoid conflicts of interest, so that the Group or any of its people are not influenced by any additional factors;
- remuneration decisions must not involve any kind of discrimination for any reasons which are not related to performance;
- the remuneration structure and amount in each country has to comply with local laws and regulations.



2016 We Are Santander Week 2016 in Brazil.

## » Personal experience

In 2016, the Bank continued to promote listening and permanent dialogue with its people. A total of 85% of people (vs. 84% in 2015) participated in the global engagement survey and 67,271 suggestions were put forward.

The Bank has taken into account all these suggestions and proposals made over the year through Santander Ideas, so as to further promote and reinforce initiatives which help to make Banco Santander the best place to work.

### Flexiworking

This programme continued in the year and is aimed at creating a working environment according to the personal and family needs of each employee to offer them a suitable work-life balance.

The engagement survey shows that flexibility and work-life balance are the areas where there has been most improvement since 2014: 78% of people say that their boss allows them to have a good work-life balance (50% in 2014).

We are also creating new, more open areas in our offices which encourage collaboration and knowledge sharing. These areas are fully equipped so that people are constantly in touch with

colleagues in other countries which helps remove the need to be present on-site.

### We are Santander Week

In 2016, the Santander Week was organised once again in all countries in which the Group operates. This year the focus was on corporate rules of conduct. It included several meetings with senior executives, conferences and volunteering activities.

### Recognition

Santander is also introducing a recognition programs in the Group. Chile, Mexico, Argentina, Spain and the Corporate Centre have already deployed platforms which can be used to recognise people who are exemplary in their adoption of corporate rules of conduct.

The Star Me Up platform was launched in the Group Convention: this is the first global recognition platform to promote collaboration and to recognise people who apply the corporate rules of conduct in their day-to-day activities.

## GLOBAL ENGAGEMENT SURVEY

Results improved in 2016, particularly in two areas:

Flexibility and work-life balance. These are the areas where there has been most improvement since 2014: 78% of people say that their boss allows them to have a good work-life balance (50% in 2014).

Corporate culture. 74% of people are familiar with the Simple, Personal and Fair corporate culture and are motivated to create a more SPF Bank (64% in the 2015 pulse survey).<sup>1</sup>

Areas of improvement have also been identified: such as simplifying processes and the means necessary to successfully carry out the work, areas which will be tackled in 2017.

**85%**  
record participation

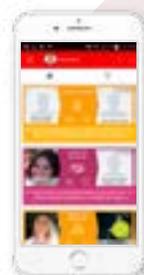
**78%**  
committed people

**91%**  
are familiar with the Simple, Personal and Fair corporate culture.

**78%**  
people who say that their boss allows them to have a good work-life balance

**Flexiworking is doing the same work, but with a better work-life balance**

Teresa Sáenz Díez, Legal Advisory, Santander Group Spain



### Star Me Up: the first global recognition network

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

More than **65,000** users

### Volunteer programmes

Santander encourages volunteering as a way of promoting solidarity, motivation and pride of belonging among its people. The Bank has various local volunteer schemes adapted to the situation and needs of each community.

The corporate volunteer policy also sets down that the Bank will set aside a certain number of hours a month or a year, which will vary from country to country, for people to take part in corporate volunteering. Alternatively, staff can choose to receive some form of recognition for corporate volunteering in their free time.

In 2016, 63,865 people took part in different social initiatives, investing 140,304 working hours and helping over 260,000 people.

“ Volunteering is an opportunity to share and grow ”

*Etienne Butruille,  
Sustainability,  
Santander Group, Spain*



### People taking part in social initiatives

Country	2016
Spain	15,902
Portugal	257
United Kingdom	6,778
Poland	660
Brazil	29,679
Mexico	13,572
Chile	225
Argentina	402
United States	3,043
SCF	418
<b>Total</b>	<b>63,865</b>

## Main volunteering initiatives

### Outstanding global initiatives

- **We Are Santander Week.** Charity events were held in all countries. For the third successive year, the Bank organised the Santander Food Drive, with the participation of people from Brazil, Spain, Mexico, Poland and the Corporate Centre, through which 51,854 kilos of food were collected.
- **International Volunteer Day,** in December, involving employees of the Group's staff running financial education workshops, collecting and distributing food parcels and participating in activities designed to support entrepreneurs across Mexico, Brazil, Spain, Chile, Portugal, Germany, Austria and the United Kingdom.

### Outstanding initiatives in countries

#### Germany

Over 130 people from the Mönchengladbach central offices celebrated the Social action day during the We Are Santander Week. They helped to paint the walls, and took part in maintaining gardens and furnishings in schools and

kindergartens. People from branches across the whole of Germany also organised and took part in local social action days, working with around 31 charity organisations.

#### Argentina

Now in its ninth year, the Santander Río Fishing Education Centre continued with its mentoring programme, offering work experience at its *Contact Center* as well as talks and workshops by employees and volunteers from among the Bank's suppliers.

#### Brazil

The Escola Brasil (Brazil Schooling) programme involved 400 initiatives in 2016 supporting child education. Over 4,000 volunteers contributed to improving learning in 183 state schools.

#### Chile

Over 200 people, in collaboration with Techo CHILE, gave up their time to help build and adapt emergency housing and community centres in various parts of the country.

#### Spain

Financial education has been at the heart of corporate volunteering in 2016. Over 80 people volunteered for the Tus Finanzas, Tu Futuro (Your finances, your future) programme offered by the Spanish Baking Association (AEB) and Junior Achievement.



Volunteer programme in the United Kingdom.

### DISCOVERY DAYS, UK.

In 2016, over 6,000 people from Santander UK took part in the *Discovery Days* scheme. They gave up 47,512 working hours to take part in gardening, decorating and organisation activities in aid of 114 social entities in the UK.



**BeHealthy**  
Live fit, reach your potential

### Be Healthy, the global health and well-being programme

In 2016 the Bank launched Be Healthy, a global health and well-being scheme that aims to make Santander among the best in class in this area and help improve people's lives. The overall well-being of our people is essential to having healthy, happy and committed teams in order to do better work on an individual, employment and community level. This programme sets out a common framework which is aimed at ensuring that health and well-being are seen as advantages for working in Santander. The programme includes a number of initiatives launched in the local units to encourage employees to live healthier lifestyles.

Be Healthy has four key action areas (*know your number, eat, move and be balanced*). The programme and the first initiative were launched during the We Are Santander Week. This corporate challenge tasked everyone with tracking the number of steps they took each day using an app to see if together they could walk around the world. Santander donated one euro for every kilometre walked as part of Unicef's campaign to eradicate polio. Over 2,200 people participated, with the Bank donating €44,000 to Unicef.

The Be Healthy scheme has now been introduced in Mexico, Brazil, Portugal, the UK, Argentina and Germany.

### Absenteeism by gender and region\*

%

	Men	Women	Total
Mainland Europe	2.5	3.8	<b>3.2</b>
United Kingdom	2.2	3.5	<b>3.0</b>
Latin America and other regions	2.9	4.5	<b>3.8</b>
<b>Group total</b>	<b>2.7</b>	<b>4.2</b>	<b>3.6</b>

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

### Work-related illness rate\*

%

	Men	Women	Total
Mainland Europe	0.10	0.09	<b>0.10</b>
United Kingdom	0.02	0.03	<b>0.03</b>
Latin America and other regions	0.62	0.83	<b>0.74</b>
<b>Group total</b>	<b>0.39</b>	<b>0.51</b>	<b>0.46</b>

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

### Occupational health and safety

Nº of employees killed in occupational accidents

2

Hours missed due to non-working related illnesses and accidents (millions of hours)

10,0

# Customers

- Customer relationship and business model
- Products and services marketing and consumer protection
- Analysis of social and environmental risks in credit transactions
- Complaints management

Te ayudamos  
a hacer realidad  
tus proyectos

1





## Geographic distribution of customers



\* Excluding customers from finance consum.



### Group customers\* Million

Spain	12.8
Portugal	4.0
UK	25.3
Poland	4.4
SCF	17.9
Rest of Europe	0.1
<b>Total Europe</b>	<b>64.5</b>
Brazil	34.4
Mexico	13.4
Chile	3.6
Argentina	2.9
Rest of Latin America	0.8
<b>Total Latin America</b>	<b>55.1</b>
United States	5.2
<b>Total customers</b>	<b>124.8</b>

\* Figure for total customers; i.e. holder of any product and service with a valid contract. Santander Consumer Finance customers are included in 'Rest of Europe' except those of the UK and Germany. Canada is included in 'Rest of Latin America'.

# Customers

Banco Santander's aim is to become the best retail and commercial bank, building lasting trust-based relations with its 125 million customers.

## » Customer relationship and business model

One of Banco Santander's strategic targets is to increase customer loyalty. The Bank develops simple and personalised solutions for its customers, increasing their loyalty to the Bank, and boosting their trust by providing excellent service through its network of over 12,000 branches and digital channels. In 2016, the Bank had a total of 15.2 million loyal customers; i.e. habitual customers.

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

Banco Santander continues to drive innovation. In 2016, *Santander innoVentures*, the Santander Group's fintech enterprise capital fund, increased its total capital for start-up retail investments from €100 million to €200 million.

In 2016, loans, and particularly financing for families and companies, were up in nine of the 10 main markets in which the Group operates. The growth in loans to households and SMEs was particularly strong. In total, the Bank had customer loans totalling €790,470 million at the close of 2016 which it uses to finance its customers' needs and projects.



### Customer loyalty targets

Increase loyal customers to 18.6 million in 2018

### Achievements in 2016:

The number of loyal personal banking customers rose by 10% in 2016 to 15.2 million

“An entrepreneur starting from scratch needs the full support of a bank and Banco Santander has full faith in us”

Alfredo Candela, CEO of Bodegas Barahonda



A customer is considered loyal when it has a minimum number of products and performs a minimum number of monetary transactions each month in accordance with its segment.



Focus on commercial banking



255,946 million euros in loans to SMEs and self-employed professionals



454,102 million euros in personal customer loans

## Simple and personalised solutions to increase our customers' trust and long-term loyalty

- 1|2|3 World: one of our individual customers' preferred options. With this customer relationship model, customers earn interest on their account balances and discounts on bills and purchases, among other advantages. In 2016, this was extended to new segments, such as the Mini 1|2|3 Account in Spain for children and young adults under the age of 18, and to new countries, such as Mexico, which launched a product under the Santander Plus name.
- Santander Private Banking: a specialised service model for customers with the highest net worth.
- Santander Select: the unique value offering for high-income customers.
- Specialized offer to help SMEs to develop.



**Dialogue by channel**  
At 31 December

	2016	2015	Var.
<b>Branches</b>			
No. of branches	12,235	13,030	-6%
<b>ATMs</b>			
No. of ATMs	36,559	35,808	2%
Total monetary transactions	1,376,606,344	1,331,867,356	3%
<b>Contact centre (telephone banking)<sup>1</sup></b>			
Users	5,437,666	4,796,075	13%
<b>Digital banking<sup>2</sup></b>			
Users <sup>2</sup>	20,917,360	16,584,007	26%
Visits	3,294,620,675	2,255,345,144	46%
Monetary transactions	856,252,065	600,888,413	42%

1. Does not include Santander Consumer Finance.  
2. Counts once for users of both Internet and mobile banking.



**Digital objective**

Our goal is to attain 30 million digital customers by 2018

**Achievements in 2016:**

26% increase in digital customers in 2016 to 20.9 million

Digital user: user that has logged in, as a client, at least once in the past 30 days, to internet (web or mobile web) and/or Mobile App (if the user logs in twice, it only counts as once).

**Santander Wallet**

*Santander Wallet* is a single global solution for around 400,000 clients. It allows them to use a single wallet for all payments and channels, and offers additional, real-time, value added services to help our customers build their business. It has been launched in Brazil and Spain and will soon be available in Mexico and Chile.

**SMART NET**

**An initiative designed to transform customer experience at branch offices.**

Cutting-edge technologies and service-defined spaces to make processes more simple and improve personal attention. Spain, Brazil, Argentina, Portugal, Mexico and Chile have already opened new branches with this new model.

The Bank has around 650 small offices in Spain and Portugal with fewer service capabilities (72% of which have a staff of between 1 and 3 people) set up to achieve larger ones, with more human and technical resources to enhance customer experience.

**OFFICE AND SERVICE ACCESSIBILITY**

In 2016, the Bank added further minimum accessibility criteria based on Design for All (DfT) principles in newly-opened branches all over the world, and also in refurbished branches whenever technically possible. These minimum criteria include branch accessibility, furniture, special bathrooms and ATMs.

The W3C accessibility standard has been taken into account at AA level in all technological developments.

**NEW DIGITAL APPLICATIONS:**

Simple access to banking services and personalised advisory



**UNITED KINGDOM**  
Voice banking and Investment Centre application



**SPAIN**  
Mobile payments by *Wallet* and *Apple Pay*



**BRAZIL**  
*ContaSuper* and *Santander Way* Solutions



**MEXICO**  
*SuperMovil*



**SANTANDER CONSUMER BANK**  
*Plataforma Sina*



**ARGENTINA**  
Best digital bank according to *Global Finance*, for the 17th year in a row



**POLAND**  
Best mobile banking app in the country and the third-best in Europe, according to Forrester consultancy firm

## Products and services offering social and/or environmental added value

As part of its commercial activity, Banco Santander offers a wide range of products and services with social and/or environmental added value. Among other things, these products provide access to financial services for low-income groups, socially responsible investment, and financing of renewable energies and environment-friendly products.

### Simple and personalised solutions that help the economic and personal development of our customers



#### STUDENT SERVICES. Funding for student expenses including enrolment, books, transport and lodging.

- The Bank finances international mobility programme, providing loans to cover university costs such as enrolment, books, transport and lodging.

Santander also has agreements with over 300 universities around the world for the use of the Student Smart Card (SSC), which is a form of identification and is also used for online requests and library loans.

**9.1**  
million active  
SSCs



#### FAMILY MEASURES AND AID. Specific solutions for low-income families.

- In Spain, the Bank is continuing its *Carencia Tres Años* initiative, which grants more than 16,000 families a three-year grace period on repayment of the principle on mortgages for their primary residence in the event of a reduction in income or if a family member is out of work. Since its inception in 2011, more than 26,000 families have benefited from this measure.

Starting in 2012, the Bank froze all evictions from primary residences.

Also in Spain, the Bank has added 1,002 additional homes to the Social Housing Pool for rent by people who meet certain requirements.



#### SRI FUNDS Santander Asset Management has several socially responsible investment funds.

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

In addition, assets under the management of Santander fund managers signing the PRI (Principles for Responsible Investment of the United Nations) totalled €71,946 million in 2016, accounting for 40% of the total assets managed by Banco Santander's asset management firms operating worldwide.

**40%**  
of assets under  
management



#### AGRICULTURE AND LIVESTOCK FARMING. Products and services to help develop the agriculture and livestock farming segment.

- In Spain, the Bank has earmarked €150 million to the Agro segment for SMEs, small businesses and self-employed workers within the framework of the Banking Environmental Initiative (BEI) for 2016.



## FINANCIAL INCLUSION. Access and use of quality financial services by all segments of the population.



### Microcredits. Offering credit for the underprivileged.

- Banco Santander has been conducting microcredit programmes in Brazil and Chile for several years. Santander is also a shareholder of the microfinance institution, ENLACE SA. And since 2016, it has a financial inclusion programme in Argentina. Through these programmes, Santander has a loan book of over 246,000 micro-entrepreneurs with an outstanding credit volume of over €150 million\*.

**246,778**  
micro-entrepreneurs  
in 2016

Over the course of 2017, Santander Mexico will launch a new financial inclusion project to round off Santander's microcredit offering in the region.

For further information, see chapter on Community Investment, page 63.



**129,086**  
Brazil



**71,963**  
Chile



**45,729**  
El Salvador

\* Customer and outstanding loan data at 31.12.2016.



### Other financial inclusion initiatives.

- In Mexico, Santander offers customers the possibility of carrying out transactions such as deposits, credit card and loan payments, withdrawals and even payment of services or cashing of cheques through more than 19,000 and stores such as Oxxo, 7 Eleven and others. In the United Kingdom, the Bank offers its customers the possibility of carrying out banking transactions at the 11,000+ Post Office branches. In Spain, the Bank has 630 branches and 725 agents establishments in sparsely populated regions.

### FINANCIAL INCLUSION OFFICES

Santander has branches in low-income communities in Brazil and Argentina. In Brazil, most branch employees also come from the local communities.

## CLIMATE FINANCE: Funding the shift towards a low carbon economy.



### Renewable energy finance

- Project finance.** In 2016, the Group helped finance new renewable energy projects including wind farms, hydroelectric plants and solar photovoltaic plants in Brazil, the United States, Germany, Italy, Chile, Portugal, the United Kingdom and Uruguay. These facilities will have a total installed capacity of 7,082 megawatts (MW) once commissioned.



**1,886 MW**  
UK



**4,038 MW**  
United States



**396 MW**  
Germany



**762 MW**  
Brazil

**Leasing of renewables.** During 2016, in Spain, the Bank also had 958 solar photovoltaic leasing operations for a total amount of €195 million.



- Financing (leasing and renting) low-emission, electrical and hybrid vehicles.** In Spain the Bank finances a fleet of 18,560 electric vehicles. In 2016, 6,245 lines of finance were granted for a total of €99 million.



- Funding sustainable agriculture and livestock farming.** In Brazil, the Bank also encourages the acquisition of equipment and services with a low environmental impact through special lines of credit. Santander Brazil prepared a Guide of Best Practices for Agricultural Businesses to publicize these lines of credit. Over €87 million were lent in 2016.

## » Commercialisation of products and services and consumer protection

The products and consumer protection governance function, which forms part of Compliance and Conduct, is tasked with designing the crucial elements for the appropriate management and control of marketing and consumer protection. To do so, in addition to the bodies established in the bylaws, the Group has:

- The Commercialisation Committee, whose objective is to minimise the inappropriate commercialisation of products and services and to ensure the protection of customers by validating products and services. This committee held 15 meetings in 2016, at which 128 new products/services approved locally by the Local Commercialisation Committees were analysed.
- The Consumer Monitoring and Protection Committee, which is responsible for monitoring the products and services marketed and ensuring that customers' needs are met and rights are protected throughout the entire product life cycle. This committee held 26 meetings in 2016, at which it reviewed follow-up information reported by the Group's various units through

local monitoring committees or equivalent bodies.

Also, in 2016 the Group placed particular emphasis on developing the consumer protection function. The aim was to promote consumer rights and ensure oversight and monitoring of compliance by Group subsidiaries with legal requirements, regulations and best practices issued by regulators and supervisors in this area, particularly with respect to the information provided to customers in the provision of services. Feedback of customers and users was included in the business strategy, in the improvements made to products and services, and in the management and resolution of disputes as they arise.

*We can only be a successful bank if we can make our products meet the needs of everyone*

*Melissa Morsbach. Marketing, Santander Germany*



## ■ Financial consumer rights.

Inspired by the G20 ten consumer protection high-level principles in the Group's product and service marketing and consumer protection framework, approved by the Board in December 2016.

  
Fair and respectful treatment

  
Customer-centred design of products and services

  
Transparency in communication

  
Responsible prices

  
Taking into account customers' special circumstances and preventing excess debt

  
Data protection

  
Management of claims and complaints

  
Financial Education

  
Responsible innovation



Treasury desk in Santander Group City, Boadilla del Monte, Madrid, Spain.

## » Cybersecurity

**Cyberrisk.** Like any other organisation, the Bank may be the target of cyberattacks and fraud, which can hinder the proper functioning of its services.

Accordingly, it has fostered measures against cyberrisk, data security and fraud in customers' normal operations. Specifically, some of the main measures to reduce fraud were taken in the following areas related to customers' normal operations:

- **Card fraud:** measures to reduce cloning risk and strengthen transaction validation processes.
- **Electronic fraud:** Implementation of specific protection measures for mobile banking, such as identification and registration of customer devices (Device Id). Improvement in the internet banking authentication system, requesting additional controls based on the level of risk of the customer or the transaction to be performed, and online validation of banking transactions.

(More information in the chapter on operational risk in the Risk management report section of the website)

## » Analysis of social and environmental risks in credit transactions

Banco Santander considers social and environmental issues to be key in risk analysis and decision-making processes for its financing operations.

The Bank has implemented processes to identify, analyse and evaluate credit transactions governed by Group policies that are based on the Equator Principles, an initiative which the Bank signed up for in 2009 following approval by the board of directors.

For more information on social and environmental risk analysis, see the Environment and Climate Change chapter.

## » Operational excellence and customer satisfaction

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

More than a million surveys are conducted annually and efforts are being made to listen to a greater number of customers and more frequently during their dealings with the Bank. Customer satisfaction has also been included as a metric in variable remuneration systems of most of the Group's employees.

In 2016, the Group has made further efforts to improve the customer experience through:

- Boosting loyalty through the 1|2|3 strategy in Spain, Portugal and the UK and consolidating the differentiated value proposition in Brazil, Mexico, Chile and Argentina.
- Enhancing the NEO CRM commercial tools and transforming the distribution network through operational Excellence and customer satisfaction.
- Improving the *Customer Journeys* (critical processes experienced by customers every day).
- Upgrading technological platforms, increasing their digital capacities.
- Promoting new technologies which can provide a global overview of the customer, in order to broaden channel and product offering.

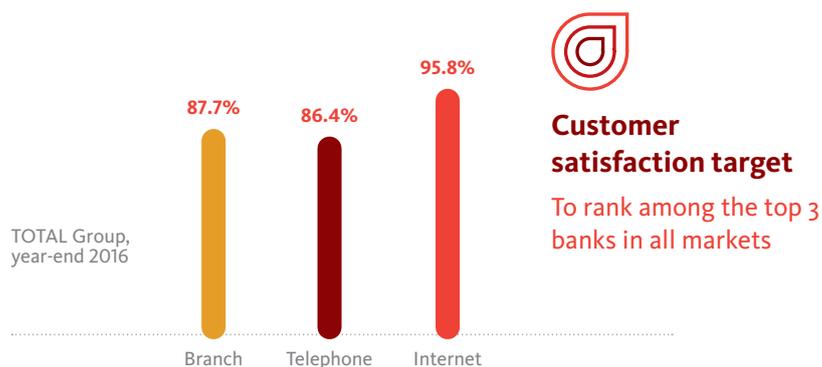
**Achievements**  
ranked in the top 3 in customer satisfaction in 8 countries

### ■ Top 3 ranked countries in customer satisfaction



### ■ Customer satisfaction by channels

% satisfaction among active retail customers



### ■ Customer satisfaction

% satisfaction among active retail customers

Bank	2016	2015	2014
Spain	85.0%	86.7%	85.0%
Portugal	91.9%	93.1%	94.1%
UK	96.2%	95.7%	94.5%
Poland	96.0%	96.4%	93.5%
Brazil	74.8%	71.6%	70.6%
Mexico	94.1%	94.0%	95.0%
Chile	95.9%	92.6%	88.4%
Argentina	87.1%	87.6%	86.8%
United States	84.6%	81.8%	80.8%
<b>TOTAL</b>	<b>87.5%</b>	<b>86.6%</b>	<b>85.3%</b>

Source: Corporate benchmarking of experience and satisfaction among active Retail & Commercial banking customers (Data at end 2016, corresponding to survey results in the second half of the year).

\* Except in the USA, where they are close to their competitors.



## » Complaints management

For the Santander Group, complaint and claim management and analysis is essential to measure the efficiency of internal processes, to listen carefully to customers' questions and complaints, and then to use this information to work towards constant improvement.

Santander has specialized teams across all its countries to handle complaints and claims accordingly, in line with the Group's policies and in compliance with local and sector-specific regulatory requirements while offering our customers the best service possible.

Analyses have been reinforced by applying specific methodologies, reporting and governance so that complaint and claim management data are permanently analysed in all of Santander's local units in order to identify issues or recurrent or systemic problems to correct their original causes.

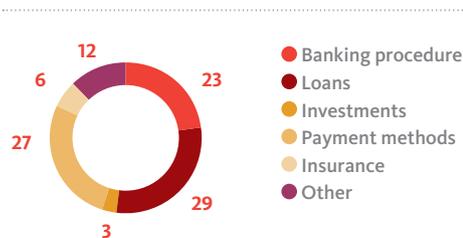
### ■ Total claims received<sup>1</sup>

	2016	2015	2014
Spain <sup>2</sup>	34,920	25,143	17,779
Portugal	5,028	2,985	3,576
UK <sup>3</sup>	32,926	35,521	46,119
Poland <sup>4</sup>	4,501	7,314	8,324
Brazil	88,623	86,709	91,757
Mexico <sup>5</sup>	48,524	39,895	26,259
Chile	5,562	6,745	7,829
Argentina	2,838	2,467	2,196
United States	2,477	1,436	1,734
SCF	33,027	29,564	33,768

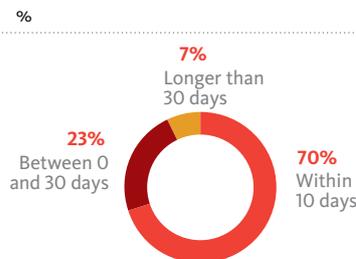
Compliance metrics according to Group criteria, homogeneous for all geographies. It may not match with other local criteria such as Financial Conduct Authority (FCA) in the United Kingdom or in Brazil.

1. Readjusting the number of claims in countries in which Santander Consumer operated by consolidating data under this unit.
2. In Spain, the increase is due to specific events such as changes in business practices or the closure of Funnydent dental clinics, as well as a generalized increase in the system.
3. Number of claims and complaints in UK released by the Financial Conduct Authority (FCA) is higher and differs from the number shown in the table above, as they are calculated under different criteria.
4. In Poland, the change is due to an adjustment in the criterion for the registration and adaptation of input channels.
5. In Mexico, the data from previous years are adjusted with regard to the claims registered in the new REDECO regulator channel to register the claims from collection agencies; this is the main reason for the growth during the year, together with the opening of customer service channels inside the Bank.

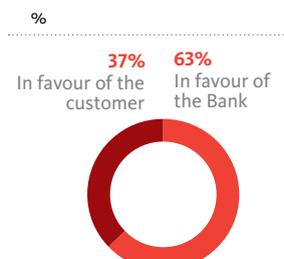
### ■ Type of claims/complaints



### ■ Average claim/complaint resolution time



### ■ Claim/complaint resolution



### Best practices: Santander Chile

Chile is a good example of the changing approach to complaints management. Here, Banco Santander was the first bank to activate new functions in its APP to enhance customer experience and satisfaction.

The mobile app now has a new function to improve and simplify the customer experience in claim/complaint management through the Bank's digital channels. They can use this channel to convey their concerns or complaints, monitor their requirements and evaluate how their case has been managed.

# Shareholders and investors

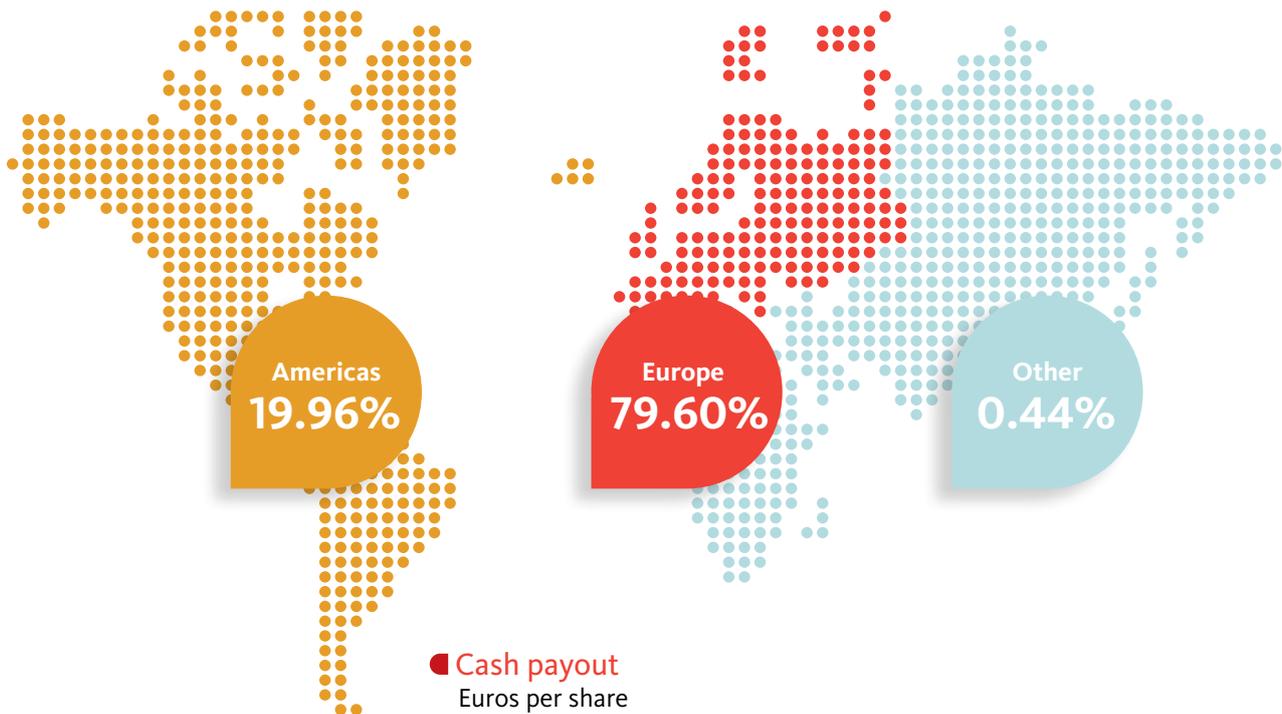
- Creating value and transparency
- Investors
- Presence in sustainability indices



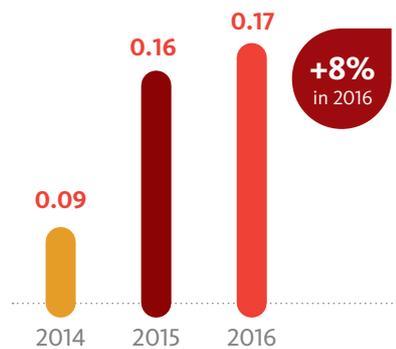


## Geographical spread of share capital

Data as of 31/12/2016

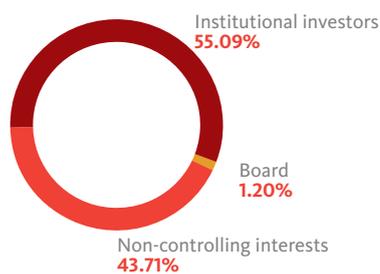


## Cash payout Euros per share



## Share capital distribution by shareholder type

Data as of 31/12/2016



## Shareholder base and capital

Concept	2016	2015
Shareholders (number)	3,928,950	3,573,277
Outstanding shares (number)	14,582,340,701	14,434,492,579
Average daily trading (no. shares)	100,707,234	103,736,264

# Shareholders and investors

Banco Santander offers its 3.9 million shareholders attractive and sustainable return, protects their ability to exercise their rights and promotes transparency to maintain their loyalty in the long term.



Santander Annual General Meeting 2016

## » Value creation and transparency

In a year of high market volatility, Banco Santander met all of its financial targets and made great strides towards its strategic priorities, while increasing the cash payout and continuing to pay the usual four dividends.

Transparency, in particular with regard to compensation, and respect to shareholders, through the principle of equality of all shareholders, one share, one vote, one dividend, no anti-takeover measures in the Bank's bylaws and the encouragement of informed participation at general meetings, are key elements to generating shareholder and investor confidence, security and long-term value.

Santander offers its shareholders important measures to protect them in the exercise of their rights (see the annual corporate governance report).

Through its Shareholder and Investor Relations area, Santander offers numerous shareholder service channels which can be used to find relevant information on General Shareholders' meeting procedures, the publication of significant event notices, share price performance and performance of the Group in general, and calls for different events.

Furthermore, Santander develops many financial products and services for its shareholders, which are available on the corporate website, the *I am a Shareholder* website and on the Santander Shareholders and Investors App, and encourages their participation in charity projects around the world.

In collaboration with the Universia Foundation, in 2016 Santander extended 46 Capacitas grants to shareholders and their families in order to promote the social and workforce integration of disabled people.

**3.9**  
million  
shareholders

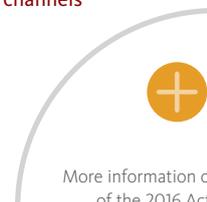


**4.959**  
euros per  
share at 2016  
year-end

**The Santander share price closed 2016 with better performance than the main Spanish index, Ibex 35, and the Europe's banks index.**

**183**  
forums and  
meetings with  
shareholders

**186,953**  
queries managed  
through remote  
channels



More information on pages 36/37 of the 2016 Activities Report.



## » Investors

Banco Santander maintains a constant and fluid dialogue with investors through its Shareholders and Investor Relations area.

The Bank's Group Strategy Day, a meeting held in London in September 2016 with analysts and investors to update the vision of the 2016-2018 Strategic Plan, was attended by 130 shareholders, investors and analysts, as well as members of the Bank's senior management. The Bank reaffirmed its shareholder return targets:

- Increase in earnings per share (EPS) in 2016 and 2017, reaching double-digit increases in 2018, and growth in the dividend per share (DPS) and the tangible net asset value (TNAV) on an annual basis until 2018.
- Strategic objectives for non-financial variables regarding people, customers and society were reaffirmed.

The Investor, Analyst and Rating Agencies Relations area held 928 meetings and calls with investors and analysts, top management (Chairman, CEO and CFO among others) has been involved in some of these meetings. Joint meetings were held between the Sustainability area and investors specialising in corporate governance, social and environmental issues, to explain the Bank's main actions in the area of sustainability.

## ● PRESENCE ON SUSTAINABILITY INDICES

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



- In 2016, the Bank obtained a total score of 92 points (84 points in 2015), with improvements in all areas analysed. Banco Santander once again appeared in the Dow Jones Sustainability Index, on which it has been included since 2000. Ranked sixth worldwide and first in Europe, the Bank was classified in the silver category in the banking sector (score between 1% and 5% from top ranked).



- In the 2016 review carried out by FTSE4Good, Santander obtained an overall score in the ESG rating of 4.3 points (out of a maximum of 5 points), an improvement over the 3.9 points obtained in the previous review, thus placing the Bank ahead of its peers in the 91st percentile (88th percentile in 2015).



- Banco Santander informs in CDP (previously Carbon Disclosure Project) about its performance in climate change since 2003 and to CDP Water since 2012. Santander also participates as CDP signatory since 2007. In 2016 Banco Santander received a A- score in relation to climate change. This initiative is supported by 827 institutional investors, together managing assets of \$100 trillion.



- in addition, other relevant analysts and rating agencies that evaluate non-financial aspects and sustainability at Banco Santander include Sustainalytics, Vigeo, MSCI, or Oekom.

# Community investment

Banco Santander investment in the community

- Santander Universidades. Higher education driving progress
- Other community initiatives
- Tax contribution





## Map showing breakdown of community investment



\* Includes Puerto Rico.

\*\* Includes corporate and other regions like China, Arab Emirates, Qatar, Russia, o Singapore.



# Community investment

Banco Santander helps to drive economic and social development through initiatives and programmes aimed at promoting education, entrepreneurship, employability and welfare.



Jumping Talent 2016 edition, Universia.

## » Banco Santander's investment in the community

In 2016, Santander earmarked €209 million to social investment. A total of €157 million of this amount was invested in higher education, which is the Bank's main philanthropic activity and a hallmark of its social commitment.

Long-standing strategic partnerships with universities around the world are forged through the Bank's Universities programme. This is a unique global initiative, that sets Santander apart from other Spanish and international financial institutions.

The Bank also invests in many community support programmes carried out in countries in which Santander operates. These programmes support education, entrepreneurship, welfare and other values. Santander also develops a series of products and services with a considerable social component, such as microcredits. In 2016, the Bank, together with its people and customers, has helped 1.7 million people through its community support programmes and products with a social component.



### Grants target 2016-2018

Award 130,000 scholarships or grants to students and university staff between in 2016-2018



### People helped target

Reach 4.5 million people helped between 2016-2018

The Bank developed corporate methodology adapted to the needs of society and specific contribution model. 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.

## Main areas of action for community support

Higher education



Entrepreneurship and job creation



Children's education



Financial education



Welfare



Culture

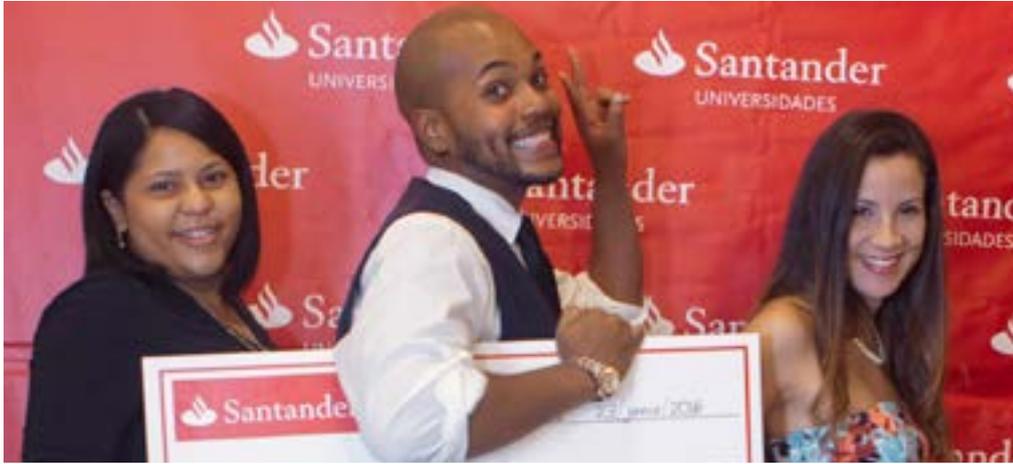


## Community investment trends € million



Since 2002, Banco Santander has invested over €2 billion in community support. €1.5 billion of this amount went into higher education

» Santander Universities. Higher education - a driver for progress.



2016 Business innovation award, Puerto Rico.

UNIVERSITIES



- 157 million euros to universities
- 1,183 agreements with universities and academic institutions in 21 countries
- More than 3,000 projects with universities

Banco Santander has firmly established itself as an institution that is committed to helping people prosper through education, having entered into 1,183 agreements with universities and other academic institutions.

In 2016, Santander has supported more than 3,000 academic projects aimed at improving education, creating more and better opportunities for

university students and encouraging the culture of entrepreneurship, research and innovation.

The main actions taken in 2016 include the scholarships and grants programmes for students and university staff, entrepreneurial training programmes, and initiatives aimed at modernising universities.

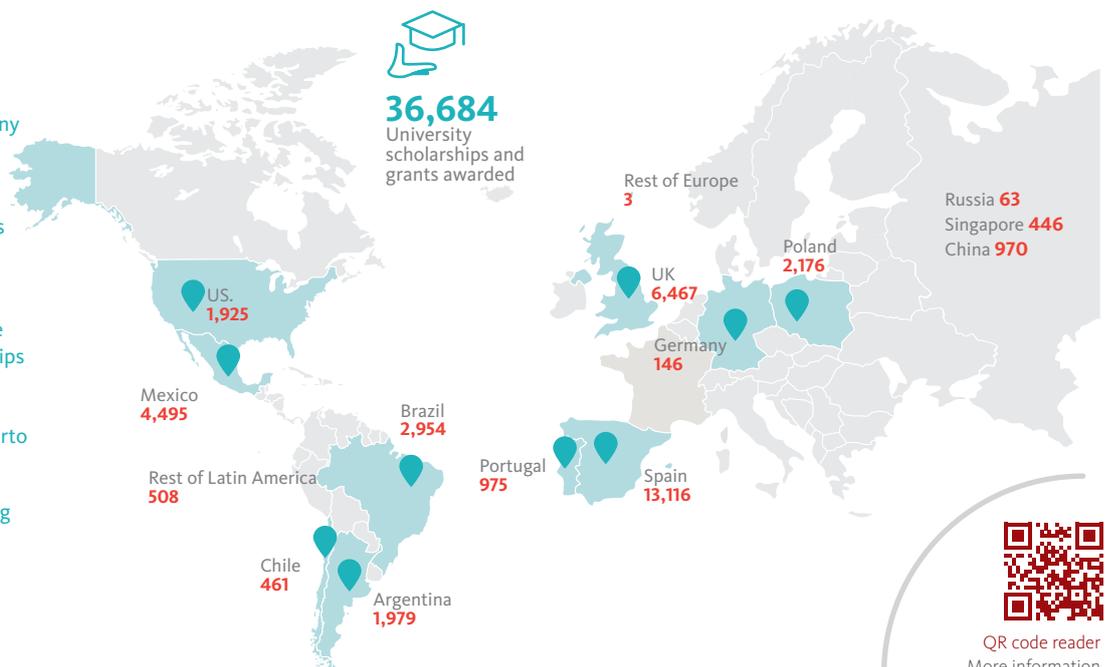


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More information about Santander Universities

SCHOLARSHIP PROGRAMME

Santander runs the largest scholarship programme financed by a private company in the world. In 2016:

- 12,192 university exchange grants for students, lecturers and researchers from 18 countries.
- 10,224 Santander exchange grants for business internships in Argentina, Brasil, Chile, Colombia, EE.UU., Mexico, Spain, Poland, Portugal, Puerto Rico, the UK and Uruguay.
- 10,017 study grants for young people, to start or continue their training.
- 4,251 awards for excellence, research, innovation and entrepreneurship.



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More information

### Entrepreneurship in universities

Santander Universities promotes different entrepreneurial initiatives as a key factor in social progress and the growth of people and companies.

• **Santander In 2016, YUZZ Jóvenes con Ideas**

(Young People with Ideas), managed by the Santander International Entrepreneurship Centre (CISE in Spanish), provided assessment and training to over 1,000 young entrepreneurs who have presented over 760 business ideas through 48 state-of-the-art centres.

• **Incubators and Scientific Parks** at various universities to create and develop university-based projects that promote innovation and research.

• **Santander Entrepreneurship Awards** in countries such as Argentina, Chile, Mexico, Portugal, Spain or the UK. This scheme picks up enterprising projects and launches them internationally. Over 25,000 young people took part this year.

### Number of candidates for Santander Entrepreneurship Awards

Country	Candidates received	Prizes awarded
UNITED KINGDOM	177	24
SPAIN	2,015	127
MEXICO	5,500	6
ARGENTINA	440	4
CHILE	325	10



“ The awards are a sign of recognition that ensure we don't throw in the towel and that we continue working to achieve our goals ”

*Miriam Rueda, researcher at the University of Valladolid*

**LightEnergy** is an entrepreneurial project which uses a light and compact fuel storage system for drones, based on hydrogen fuel cells, which enables the drones to fly longer distances. This project won the YUZZ Santander National runners-up prize in 2016 and also won one of the prizes in the RedEmprendia Model to Market (M2M) business model competition, which was organised during SPIN2016, the largest Latin-American university entrepreneurship event.

Unmanned planes or drones are a revolutionary concept which is radically changing companies from all sectors of activity, from agriculture to films.

The full team includes Ángel Martín Martínez (professor at the University of Valladolid), Alexander Navarrete Muñoz (post-doctorate expert in process enhancement) and Luis Miguel Sanz Moral (the LightEnergy business plan and technology are part of his doctoral thesis).



Students from Francisco de Vitoria University working on a project.



**9.1**  
million university  
smart cards (USCs)  
active

**Digitalisation and innovation**

Santander is committed to developing new technologies, and to improving and digitalising educational processes and services.

The CRUE App, virtual campuses or the Student Smart Card, are some of its most outstanding projects.

Santander Universities has 9.1 million Student Smart Cards (SSCs) in 279 universities in 11 countries.

The SSC also uses the SSC app for *Android* and *iPhone*, while a version for wearables (smartwatches and bracelets) is being tested. New services have been added, such as mobile ID, online discounts in stores, public bicycle loans or energy saving on campus.

**Santander Impact**

In 2016, Santander Universities set up different global tools and systems to measure the reach of its programmes and initiatives on young people and society. From 2017 on, Santander Impact will be a global database with details of all projects spearheaded and supported by Santander Universities in over 20 countries. Users can access Santander Impact using the Internet or by mobile app. It will become a global showcase for all Santander Universities activities.



QR code reader  
[www.santanderimpact.com](http://www.santanderimpact.com)



Welcome Day for foreign students, Madrid.

### Universia

Universia is the most important universities network in Latin America. It helps universities create new opportunities over a services platform.

Universia's work revolves around a key priority: the management and promotion of employment programmes which help students access the job market. The partnership with *Trabajando.com* has allowed around one million young people to find work in 2016. *Trabajando.com*, a network of 2,705 job portals in universities, companies and institutions, posted over 2.7 million vacancies and received 18.4 million CVS in 2016.

Universia also encourages online training. The MOOC (massive open online courses) platform has already had 2.8 million matriculations in 525 courses at 98 universities in 12 Latin-American countries.

Universia's various services helped **1.3** million students in 2016

### Universia Foundation

The Universia Foundation promotes the integration of disabled people in universities, helping them in their training and their subsequent inclusion in the labour market.

During 2016, the Foundation helped 110 people to find a niche in the job market. It has also reinforced its disabled entrepreneur free guidance project, and has signed up to be an Entrepreneur Service Point (Punto de Atención al Emprendedor, PAE) with the Spanish Ministry of Industry, Energy and Tourism. The foundation also assessed 55 new entrepreneurs, and launched seven new projects spearheaded by disabled people.

Internationally, the Universia Foundation played an active role in the Day of General Discussion (DGD) on independent life organised by the United Nations Committee on the Rights of Persons with Disabilities (CRPD).

The Foundation's initiatives have helped **6,451** disabled people in 2016



**1** million jobs brokered through the employment community in 2016\*

**2.7** million published vacancies

\* Estimated at 40% of total vacancies published in 2016.



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[www.universia.net](http://www.universia.net)



QR code reader  
[www.fundacionuniversia.net](http://www.fundacionuniversia.net)

» Other community support initiatives



Santander Mexico child education programme.



**52**  
million euros  
in community  
investment



**63,865**  
employees taking  
part in community  
support initiatives

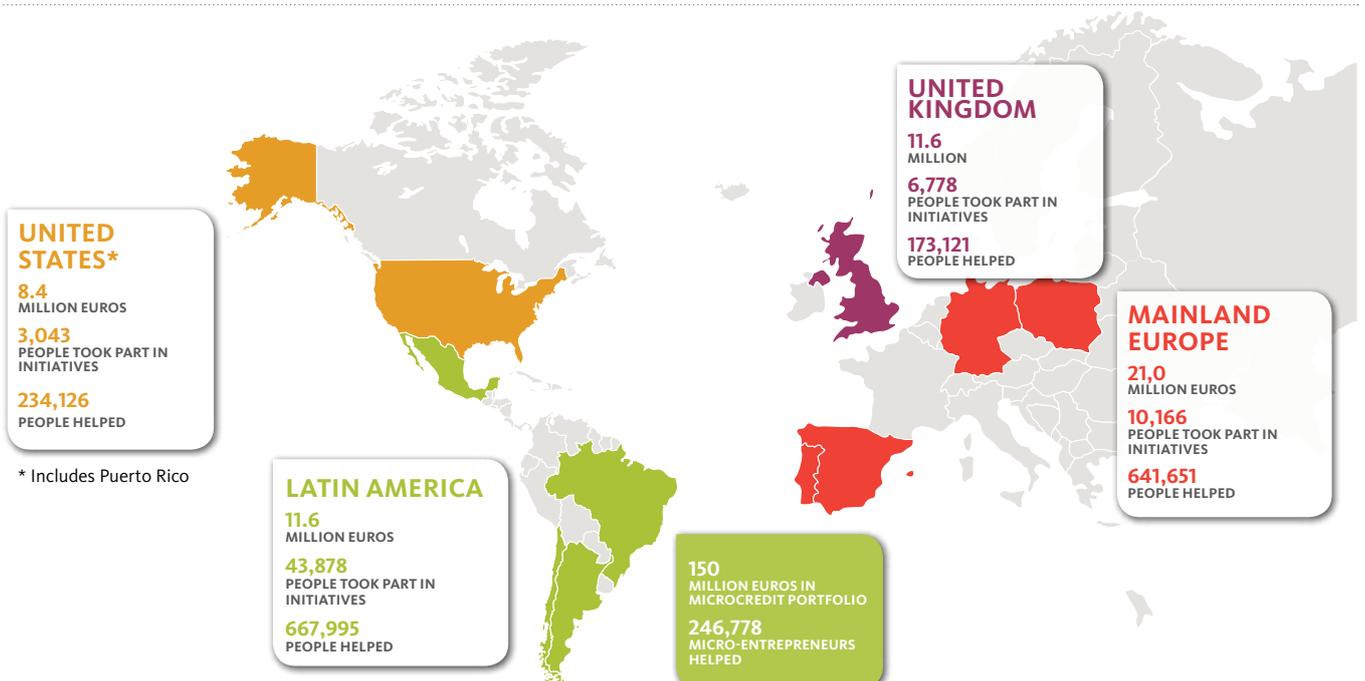
In 2016, the Bank invested over €50 million in community support, through local programmes used to foster education, entrepreneurship and welfare. The Bank encourages Group professionals to take part in many of these initiatives as a way of promoting solidarity, motivation and the sense of pride in belonging to the Group, keeping direct ties with their community.

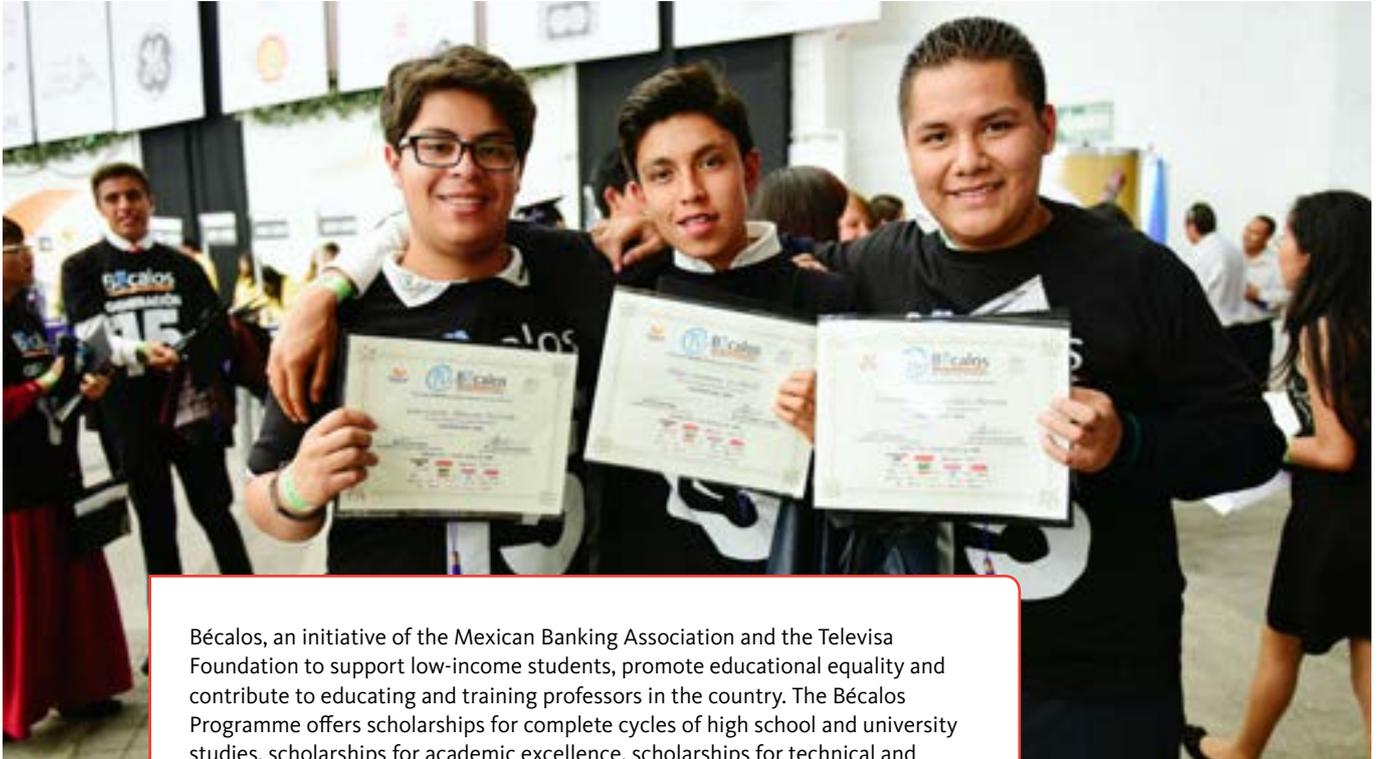
Banco Santander also develops a raft of products and services with a considerable social component, such as microcredits. And it promotes financial education to enhance people's knowledge of basic finance and its practical application.



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More information about  
community investment

Investment in the community map





Bécalos, an initiative of the Mexican Banking Association and the Televisa Foundation to support low-income students, promote educational equality and contribute to educating and training professors in the country. The Bécalos Programme offers scholarships for complete cycles of high school and university studies, scholarships for academic excellence, scholarships for technical and scientific careers that are important for national development and training programmes for teachers and directors of public schools in Mexico.

In 2016, the Bank and its customers helped over 3,000 youngsters through this programme.



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<https://becalos.mx/>

### Support to pre-school education

Banco Santander promotes local initiatives aimed at supporting pre-school, primary and secondary education.

Its activities are centred above all on Latin America, where the Bank cooperated for years in projects that support and reinforce the different education programs of each country.

### Outstanding initiatives to support pre-school, primary and secondary education



#### BRAZIL

Many different initiatives to improve education in 214 Brazilian state schools, as part of the Programa Escola Brasil (Brazil Schooling) programme.



#### MEXICO

Grants to pupils and teachers from state schools. And initiatives to promote universal access for all children to basic quality education.



#### CHILE

Internships and scholarships in support of excellence in education for young underprivileged children.



#### ARGENTINA

Scholarships to prevent academic failure of students from poor families.



**544,669**

children helped through programmes to support child education



In 2016, Banco Santander celebrated its 8th annual Social Projects Competition in Spain, to which Group employees submitted 499 projects from 356 social bodies. An internal committee comprising representatives of various parts of the bank then selected a shortlist of 25 finalists. More than 4,300 employees then voted online for the winning projects, each of which received €39,644.

The winning projects were financed from donations to the “Euros from your payslip” fund - which are matched by the bank - through which more than 2,400 employees raised a total of €436,086, helping over 3,000 people.



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More information  
about the annual Social  
Projects Competition

**Welfare**

**Development of local initiatives to help people's welfare.**

The main focus is to tackle social exclusion by backing programmes that deal with poverty, vulnerability and social marginalisation.

But Santander also supports programmes to prevent diseases and promote health, as well as welfare programmes designed to help disabled people and their families, helping them to find a place in society and helping them recover and integrate in society.

Some of the most outstanding initiatives are:

- The Discovery grants program in the UK offers small grants of € 6,000 to social institutions that boost the social well-being of their communities. Also in Spain, through the *Santander Ayuda* program, the bank offers grants of 5,000 euros for the implementation of projects at the local level that contribute to improving the quality of life of the most disadvantaged.
- The people and customer fund raising programmes such as *Amigo do Valor* in Brazil, the *Fideicomiso por los niños* in Mexico, the *Call for social projects* in Spain and *Matched Donation* in the UK helped over 120 institutions and social organisations in 2016.

- Also in Spain, in 2016 Banco Santander, through the Santander Responsabilidad Conservador fund, managed by Santander AM España, provided to *Cáritas Española* 5.1 million euros to support access to basic food, training and employment, insertion and protection of human rights among the most disadvantaged groups

**Art and culture**

**Santander develops various programmes which promote the protection, conservation and dissemination of art and culture.**

The main vehicles for cultural investment at the Group are the Banco Santander Foundation in Spain and Santander Cultural Brazil.

**Banco Santander Foundation.** Carries out its activities in the fields of art, education and young talent, literature, the environment and science. Further information in [www.fundacionbancosantander.com](http://www.fundacionbancosantander.com).

**Santander Cultural.** Offers programmes in visual arts, culture, music, education and films. Further information in [www.santander-cultural.com.br](http://www.santander-cultural.com.br).

**Bank Zachodni WBK Foundation.** In Poland, the Zachodni WBK Foundation is one of the largest art sponsors in the country. It attaches particular importance to promoting classical music for young people.

In Brazil, Poland, Portugal and Chile the Bank promotes other cultural initiatives through its sponsorship of festivals and concerts, photography prizes, visits to museums and art galleries, as well as educational and inclusion projects through art and culture.



**487,395**  
people helped  
through  
programmes  
designed to tackle  
social exclusion



**34,065**  
people helped  
through initiatives  
focused on health  
and investigating  
disease



**4,318**  
differently-  
abled people  
helped through  
rehabilitation  
programmes



“ Thanks to Santander Microcredits, I can help thousands of entrepreneurs fulfil their dreams. It is very satisfying ”

Rafael Rey, Paraisópolis, Santander Brasil

Santander Microcredits fosters the growth of small businesses which do not have access to formal funding. So far it has supported 250,000 people in Latin America. Rafael explains how this programme lets him “have a better idea of people’s needs, no matter what their dreams may be, and help them evolve”. Santander has set itself the goal of supporting around 300,000 new customers over the next few years, as it extends the programme to Mexico.

  
**246,778**  
 micro-entrepreneurs helped

**Promoting entrepreneurship through microfinance**

**Microcredits allow the most underprivileged groups to have access to borrowing with the aim of improving their social and financial situation, living standards and their environment.**

- **Santander Microcredits Brazil.** Banco Santander is recognised as the leading provider of microcredits among the private banks in Brazil. 70% of its customers are women.
- **Microfinance in Chile** Leader in the Chilean microfinance market, with nearly 70,000 thousand active customers. The scheme supports microenterprises with limited capital. The average loan is €2,700 and has a term of 24 months.

- **Microfinance in Santander Río.** Since 2015, the Bank has offered productive microcredits to customers of its financial inclusion branches.
- **Servicios Financieros ENLACE (El Salvador).** Santander is the main shareholder of ENLACE, which focuses on microenterprises unable to access formal banking services. The average loan is €400, while 85% of customers are women.

Throughout 2017, Santander Mexico will be promoting a new Financial Inclusion project, by offering financial products and services designed for low-income groups. Technological platforms will be used to innovate and make the business model more efficient. Customers will be offered not only microcredits, but also a broader range of micro insurance policies, saving and financial education programmes.

**Promoting financial education.**

The value proposition is based on running local programmes to raise children’s awareness of the importance of saving, to prepare young people embarking on an independent life and to assist families when making basic decisions such as buying a home, preparing the family budget or getting ready for retirement. The following programmes are particularly noteworthy:

- The Sanodelucas website in Chile, which is designed to answer questions about banking products and services by providing easy-to-find, clear and understandable information.

- *Tus finanzas, tu futuro (Your finances, your future) and Santander Moneywise* in Spain and United Kingdom, respectively, with financial education workshops taught by Bank staff. Similar initiatives are also carried out in Germany and Portugal.
- Or interactive platforms, tools and online games promoted by the Bank in countries such as Argentina, Brazil, Spain or Poland.

The Bank also offers its SME and self-employed customers financial training, workshops and master classes to help them grow their businesses.

  
**306,885**  
 people helped through financial education programmes

  
**21,810**  
 businesses partaking in training, workshops and finance master-classes

## Breakdown of people helped in 2016



**882,732**  
people benefiting from educational support programmes



**305,061**  
people helped through entrepreneurship and job creation programmes



**525,778**  
people benefiting from welfare support programmes



**3,322**  
people benefiting from environmental-protection initiatives

## Identification of impacts on people helped

In 2016 the Bank continued working on a new measurement methodology that enables it to identify and measure, in a unified and rigorous manner, the impact that the social initiatives have on people and communities. The aim is to expand the measurement to include not only the number of people helped, but also to measure what was achieved with the initiative and to what extent their well-being was improved. This methodology is based on principles included in international frameworks for measuring impact, such as the London Benchmarking Group (LBG) or World Business Council for Sustainable Development (WBCSD), and the Sustainable Development Goals (SDG) were also taken into account. Three categories have been established:

- **Basic impact:** access to new services and tools (connect).
- **Average impact:** improvement in their personal or family situation (improve).
- **Advanced impact:** profound change or transformation in their lives (transform).

The categories are not exclusive: a person may have access to a new service, which in turn enables him to improve his personal situation or even transform his life.

The impact that the Bank's collaboration has on the management of NGOs and support programmes is also measured.

At the beginning of 2017 a pilot study was launched which analyses the impact of the initiatives of 8 of the 10 winning bidders in the call for social projects in 2016. The study showed that a total of 2,608 people were helped.

### Degree of impact

**Advanced impact**  
**TRANSFORMATION**

People helped that experienced a profound change in the lives.

**733**  
people helped

**Average impact**  
**IMPROVEMENT**

People helped that experienced an improvement in their personal or family status.

**1,876**  
people helped

**Basic impact**  
**ACCESS**

People helped that understood and had access to new services and tools.

**1,959**  
people helped

## WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (WBCSD)

### The challenges of incorporating the impact measurement metrics

“Banks have already established metrics and responses to finance high-risk activities; however, incorporating indicators to identify the social impact resulting from banking activities continues to be a challenge. The necessary processes and data are not ready or standardised and, therefore, do not yet allow for sound decision-making. Forward-looking banks and companies are beginning to solve this problem. WBCSD believes that dialogue between banks, customers and other stakeholders will be important in order to establish a common vision on the social impact and the most relevant metrics in this area”



## » Tax contribution

The Santander Group contributes economically and socially to the countries in which it operates by paying all direct taxes (own taxes<sup>1</sup>) and withholding indirect taxes from third parties, collaborating fully with the local tax authorities (taxes from third party<sup>2</sup>).

This puts total taxes raised and paid by the Santander Group in 2016 at €15,820 million, of which €6,141 million correspond to own taxes with the remainder being taxes raised from third parties. This means that for every €100 of gross profit raised by the Group, €36 correspond to taxes paid and collected, as followed:

- € 22 for the payment of taxes raised from third parties.
- € 14 for own taxes paid directly by the Group.

In the case of own taxes, this figure would rise to €57 for each €100 if profit before tax is used instead of gross profits, and would be €44 if it were adjusted for own taxes excluding net tax payments.

The taxes included in each year's income statement are largely income tax accrued in the period (see page 12 of the auditors' report and the financial statements), non-recoverable VAT, employer social security contributions, and other levies paid, regardless of the date these amounts are paid, while the Group's own taxes shown in the accompanying table are included in the cash flow statement.

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

Those countries where taxes are highest are jurisdictions where the most income is generated:

€ million

Jurisdiction	Own taxes			Third-party taxes	Total contribution
	Corporate income tax	Other own taxes paid	Total own taxes paid		
Spain	-114	934	820	1,398	2,219
United Kingdom	622	521	1,144	530	1,674
Portugal	79	138	216	268	484
Poland	236	144	379	98	477
Germany	15	48	63	236	299
Rest of Europe	245	190	435	-1	434
<b>Total Europe</b>	<b>1,083</b>	<b>1,974</b>	<b>3,058</b>	<b>2,529</b>	<b>5,587</b>
Brazil	1,133	553	1,687	2,710	4,397
Mexico	473	188	661	519	1,180
Chile	163	54	217	268	485
Argentina	91	273	365	2,756	3,120
Uruguay	24	85	109	36	145
Rest of Latin America	26	17	43	15	58
<b>Total Latin America</b>	<b>1,910</b>	<b>1,171</b>	<b>3,081</b>	<b>6,304</b>	<b>9,385</b>
United States	-122	120	-2	841	839
Other	2	3	4	4	9
<b>Total</b>	<b>2,872</b>	<b>3,269</b>	<b>6,141</b>	<b>9,679</b>	<b>15,820</b>

1. Includes net tax payments, non-recoverable VAT and other indirect taxes, social security payments made by the employer and other payroll taxes and other taxes and levies.
2. Includes 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.

# Environment and climate change

- Climate change and environmental management
- Analysis of social and environmental risk
- Development of financial products and other initiatives
- Measuring environmental footprint

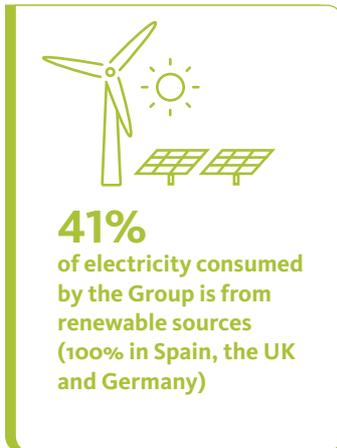




## Reducing the environmental footprint

2016-2018 Efficiency Plan

Status of the plan at 2016 year-end



Paper



Emissions



Energy



## Financing of renewable energies



**6,463**

MW of wind power



**320**

MW of solar power



**299**

MW biomass

# Environment and climate change

Climate change and the scarcity of natural resources may have a significant impact on global economic growth and are two of the greatest challenges currently faced by society. A global commitment needs to be made, where all social groups, including companies, are involved.

## » Environmental management and climate change

### Commitment to the environment

Banco Santander is staunchly committed to the environment and combating climate change. Both its direct impact, through the use of natural resources by its internal operations, and its indirect impact through its banking and financial activity.

This commitment is reflected in the Bank's corporate governance, in the Bank's lines of action in this regard: analysis of social and environmental risks of its lending activities, development of products and services with a positive environmental impact and measurement of its internal environmental footprint.

### Climate Finance Task Force

In 2016 the Climate Finance Task Force was created to define strategy, internal operations and disseminate information related to climate change. Two meetings had been held as of 2016 year-end. This Task Force reported to the Sustainability Committee in 2016 and will meet with the other governing bodies in 2017.

This Climate Finance Task Force will take into account the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB) published on 16 December. These recommendations relate to corporate governance, strategy, risk management, and metrics and targets.

The Bank's pledge is also borne out through its adherence to and active participation in various international initiatives.

### Active participation



For Banco Santander it is paramount to encourage and actively participate in the debate with other leading global and local entities and institutions.

In 2016 the Bank collaborated with UNEP FI and the companies that form part of the Spanish Group for Green Growth in order to understand and discuss the role of the financial sector in the transition towards a low-carbon economy.

## ● The Bank's main areas of action regarding the environment and climate change



Social and environmental risk analysis of operations



Development of products and services with a positive environmental impact



Measurement of the internal environmental footprint

### ● WORLD RESOURCES INSTITUTE (WRI)

The use of satellite images and innovations in computer processing now allows for the identification and analysis of environmental risks, such as deforestation. With this objective in mind, the WRI developed the flagship site, Global Forest Watch, and its applications Global Watch Commodities and Global Forest Watch Finance. Santander signed a Memorandum of Understanding with WRI to collaborate in identifying analytical tools that facilitate the assessment and reduction of deforestation risks in credit transactions.



## » Analysis of the social and environmental risks of its financing activities

Santander analyses the social and environmental risks of all its project finance deals, within the framework of its sustainability policies, which are broader in scope than the Equator Principles.

In 2016, the Group introduced measures to improve its management and processes to comply with social and environmental policies such as the Equator Principles and the Soft Commodities Compact.

Among other initiatives, a training course was given by external experts aimed at those areas involved in implementing policies in sensitive sectors, such as energy and soft commodities, and in other sectors, such as the steel and chemical industries. Guides and other related supporting documents were distributed. A total of 440 students participated in the course.

In order to implement these policies in the various local units, social, environmental and reputational risk task forces were created in the main geographical areas in which Santander operates. These task forces, which are made up of representatives from different areas of the Bank, are replicas of the corporate Task Force created in 2015. These task forces also enable local knowledge to be shared, thus generating added value for the Bank.

In 2016, Santander Brazil improved its social and environmental assessment system, which is applied to around 1,000 companies in the corporate segment with annual revenue of more than Brazilian reales 200 million. The social and environmental criteria, including issues such as deforestation, directly impacts in the credits analysis and may impact variables such as rates, limits, terms and guarantees for these loans. The assessment is continuously reviewed and updated on an annual basis. When any nonconformities are detected, Santander works with its customers to make the necessary adjustments. In addition, if any prohibited activities are detected, in accordance with internal policies, the loan is denied and the company may be excluded from Santander's portfolio.

Pursuant to the criteria of the Equator Principles, 83 projects were analysed in 2016. The majority of these projects are included under categories B and C, which are those classified with medium and low risk.

## Equator Principles

**71** Project Finance    **8** Commercial Real Estate    **4** Corporate Related Loans

CATEGORY	Project Finance			Commercial Real Estate			Corporate Related Loans		
	A	B	C	A	B	C	A	B	C
<b>TOTAL</b>	<b>0</b>	<b>26</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>2</b>	<b>2</b>	<b>0</b>
<b>Sector</b>									
Infrastructures	0	8	3	0	0	0	0	0	0
Oil and gas	0	4	0	0	0	0	0	1	0
Renewable energies	0	11	4	0	0	0	0	1	0
Non-renewable energies	0	0	0	0	0	0	2	0	0
Real estate	0	2	38	0	0	8	0	0	0
Other	0	1	0	0	0	0	0	0	0
<b>Region</b>									
<b>Americas</b>									
United States	0	7	0	0	0	0	0	0	0
Mexico	0	8	7	0	0	0	0	0	0
Brasil	0	0	0	0	0	0	0	1	0
Chile	0	5	32	0	0	0	0	0	0
Peru	0	0	0	0	0	0	0	1	0
<b>Europe and Middle East</b>									
United Kingdom	0	4	5	0	0	0	0	0	0
Portugal	0	0	1	0	0	0	0	0	0
Ireland	0	1	0	0	0	0	0	0	0
Germany	0	1	0	0	0	0	0	0	0
Poland	0	0	0	0	0	8	0	0	0
Other	0	0	0	0	0	0	0	0	0
<b>Africa</b>									
Egypt	0	0	0	0	0	0	2	0	0
<b>Type</b>									
Designated countries *	0	18	38	0	0	8	0	0	0
Non-designated countries	0	8	7	0	0	0	2	2	0
<b>Independent review</b>									
Yes	0	25	6	0	0	8	2	1	0
No	0	1	39	0	0	0	0	1	0

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

## BANKING ENVIRONMENT INITIATIVE:

### The goals of the Soft Commodities Compact

“The Banking Environment Initiative's Soft Commodities Compact aligns the financing strategies of a group of banks with the procurement policies of some of its main clients from the Consumer Goods Forum. The goal is to counter tropical deforestation. One of the main challenges banks face in implementing and reporting on this Compact is their ability to access comparable and granular data on the relationship between agricultural commodity producers and deforestation. The industry is working to address this”

## » Developing financial products

Banco Santander, within the scope of its retail activities, develops financial products and services with added environmental value, thus contributing to the transition towards a low-carbon economy.

### • Project Finance

In 2016, the Bank helped finance new renewable energy projects such as photovoltaic plants and wind farms with total installed capacity of 7,082 MW.

### • Credit lines with multilateral entities, such as EIB<sup>1</sup> and EBRD<sup>2</sup>

In 2016 new credit lines were arranged with the EIB for a total amount of €275 million for energy efficiency and renewable energy projects in Spain and Poland.

### • Other products with added social or environmental value aimed at individuals and SMEs

See Customers on page 42.

## » Measurement of the environmental footprint

The Santander Group measures, controls and establishes targets to reduce the main consumption, waste and emissions of the facilities where its people work.

The 2016-2018 plan launched at the beginning of 2016, which establishes reduction targets, includes more than 200 initiatives in various areas (streamlining consumption, energy efficiency measures, reduction in travel, etc.). An awareness campaign was also launched.

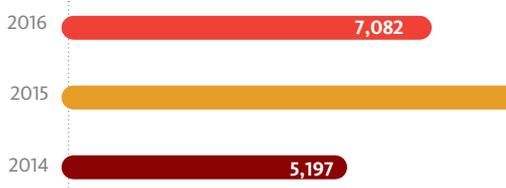
In 2016, the Group managed to cut energy consumption by 8.5%, CO<sub>2</sub> emissions by 6.8% and paper consumption by 23.9%.

These energy and emission reduction targets were met as a result of the immediate impact of implementing these initiatives, which will be eased over the coming years.

The technological advances and greater awareness has given rise to numerous local initiatives from each organisation and each country that have resulted in a significant reduction in paper consumption (23.9%), substantially more than the average of recent years and the targets set.

A variety of projects were carried out, from the digitalisation of contracts and mortgages, changes in processes and internal and external reports that had to be printed out on several pages simultaneously, among other projects.

## ■ Financing of renewable energies (MW financed)



### ○ UNEP FI:

#### The challenges posed by climate change for the financial sector

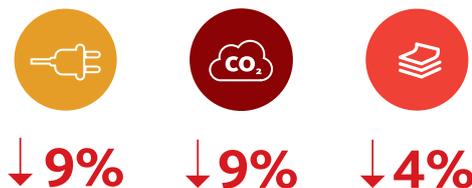
“The causal relationship between greenhouse gas emissions and climate change is now unequivocal. Physical, political, and technological manifestations of climate change will likely have deep implications on the future of the economy. The main challenge that financial institutions face is that climate change is unprecedented so the future cannot be extrapolated from the past and their success will largely depend on the extent to which they acquire expertise on the complex ramifications of climate change, both in terms of risk and opportunity”

## Purchasing Power Agreement in Santander Brazil

In October 2016, Santander Brazil reached an agreement with four small hydroelectric power plants (1MW) to supply renewable energy to 292 branches in the states of Minas Gerais and Río de Janeiro. The Asset-Based Finance team was responsible for selecting the suppliers and carrying out the technical analysis of the assets and the contractual structure of the Purchasing Power Agreement (PPA) including the fixed price and term of the contract. The advantages of this supply scheme are as follows:

- Generation of electricity that approximates consumption, thus decreasing losses in transmission.
- Decrease in the need for investment in electricity transmission infrastructure, with less of an impact on the environment.
- Economic stimulus for small investors in local renewable energy.

## ■ 2016-2018 Plan targets



1. EIB European Investment Bank .

2. EBRD: European Bank for Reconstruction and Development.



# Environmental footprint 2014-2016

	2016	2015	2014	Var. 2015-2016 (%)
<b>Consumption</b>				
Water (m <sup>3</sup> )	3,017,524	3,190,762	3,798,556	-5.4
Water (m <sup>3</sup> /person)	16.46	17.52	21.29	-6.1
Normal electricity (millions of kwh)	657	728	735	-9.8
Green electricity (millions of kwh)	448	480	480	-6.7
Total electricity (millions of kwh)	1,105	1,208	1,215	-8.5
Total internal energy consumption (GJ)	4,465,521	4,874,250	4,937,583	-8.5
Total internal energy consumption (GJ/person)	24.36	26.77	27.67	-9.0
Total paper (t)	20,217	26,560	27,319	23.9
Recycled or certified paper (t)	16,919	21,682	18,645	-22.0
Total paper (t/person)	0.11	0.15	0.15	-24.4
<b>Waste</b>				
Paper and cardboard waste (kg)	9,463,312	9,543,869	10,606,328	-0.8
Paper and cardboard waste (kg/person)	51.61	52.42	59.45	-1.5
<b>Greenhouse gas emissions</b>				
Direct emissions (CO <sub>2</sub> teq)	26,995	29,078	31,139	-7.2
Indirect electricity emissions (CO <sub>2</sub> teq)	234,346	256,372	259,567	-8.6
Indirect emissions from displacement of people (CO <sub>2</sub> teq)	132,931	137,399	139,369	-3.3
Total emissions (CO <sub>2</sub> teq)	394,272	422,849	430,075	-6.8
Total emissions (CO <sub>2</sub> teq/person)	2.15	2.32	2.41	-7.4
Average number of people	183,346	182,080	178,416	0.7

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). 2014 information recalculated to reflect this scope is presented for purposes of comparison.

2. Only consumption of mains water is reported.

3. 2014 figures do not include Argentina, USA Consumer, Chile or the Brazilian sales network. 2015 and 2016 figures do not include waste from Argentina or the 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 **2015 DEFRA** emission factors have been applied. 2014 emissions have been recalculated in accordance with these factors.

5. These emissions include those resulting from electricity consumption and correspond to Scope 2 defined by the standard GHG Protocol. In 2015, **IEA (International Energy Agency)** emission factors for 2013 were used (latest available figures) and 2014 emissions recalculated accordingly. Emissions have been considered null for green electricity consumed in Spain, the UK, Germany and Brazil, generating a reduction of 143,026 tonnes in 2016, 151,985 tonnes of CO<sub>2</sub> equivalent in 2015 and 159,622 tonnes of CO<sub>2</sub> equivalent in 2014.

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 **DEFRA** conversion factors have been applied and 2014 figures recalculated based on these factors.

- Employees commuting to work in **private car** has been estimated with regard solely to the number of parking bays available to employees at the head offices of each country and the consumption mix of petrol/diesel for the vehicle fleet of each country. There is no reported data for employee travel in private vehicles in Argentina, Poland Zachodni or the United Kingdom because this information is not available.

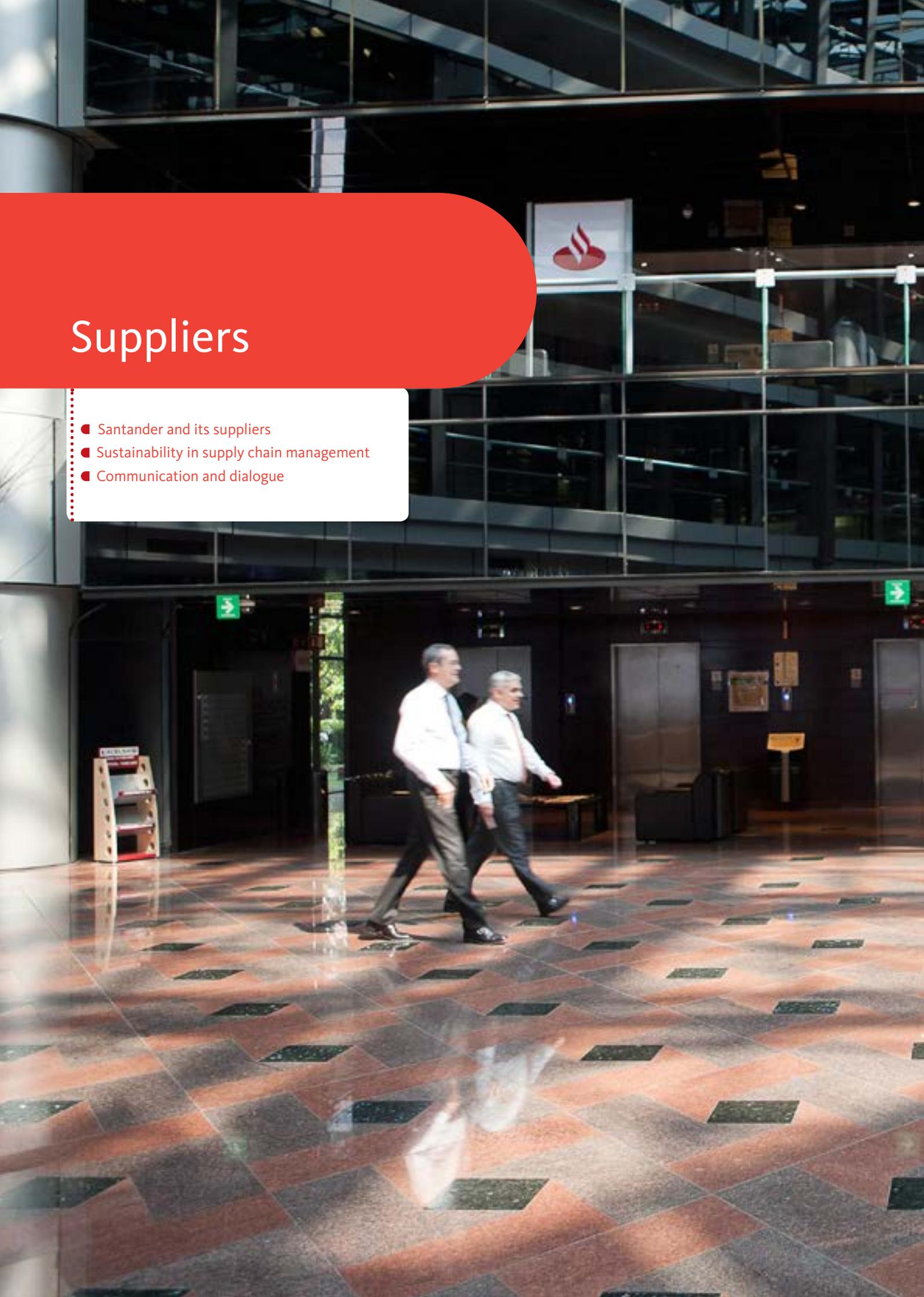
- The displacement of employees in **group vehicles** has been calculated from the average distance travelled by vehicles rented by Santander Group for the group transport of their employees in the following countries: Brazil, Germany, Mexico, Poland Consumer, Portugal, Spain USA, and within central services in Spain (CGS).

- There is no reported data for **business trips made by plane** from Poland Geoban or for **business travel made by car** from Poland Geoban and USA Consumer on account of the information not being available.

- Emissions deriving from the use of courier services have not been included, nor have those generated by transport of cash or from any other kind of products or services arranged or indirectly generated by the financial services provided.

# Suppliers

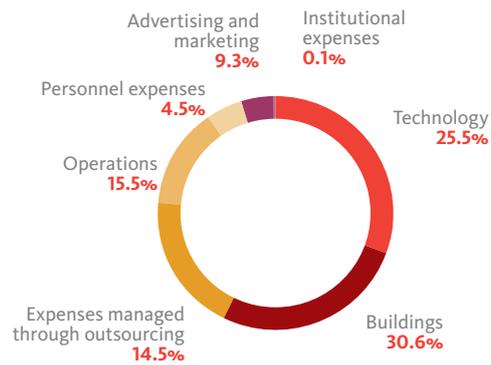
- Santander and its suppliers
- Sustainability in supply chain management
- Communication and dialogue





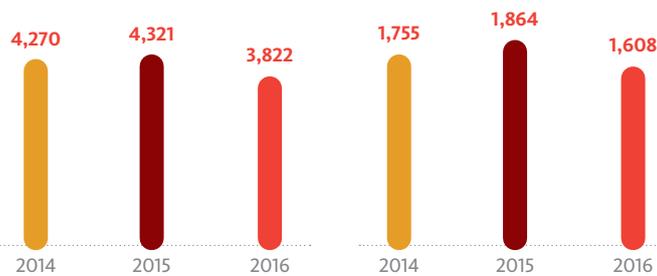
## 7,535 approved suppliers

● Volume managed according to global model by expenditure  
100% = €3,822 million

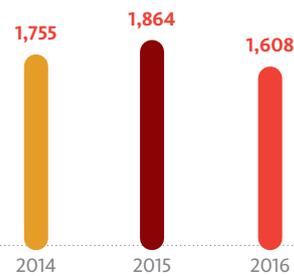


### Procurements € million

Procurement management  
according to global model



Volume of online procurement  
managed by Aquánima



# Suppliers

The Santander Group establishes ethical, social and environmental criteria that ensure the sustainability of its supply chain and guarantee mutual respect, transparency, equal opportunities and the optimisation and quality of its services.

## » Santander and its suppliers

Banco Santander has commercial ties with 7,535 approved suppliers. In 2016, the Group had trading volume with third parties, through the procurement system, of €3,822 million, of which €1,608 million was managed through the Group's online platform.

Furthermore, in Spain, the average Days Payable Outstanding (DPO) of Santander is 12 days, while the latest data published by the Bank of Spain indicates that the DPO in Spain is 64 days and within the Ibex35 companies is about 42 days.

An important part of the procurement function is carried out through Aquanima, a specialist procurements company belonging to the Santander Group. In total, in 2016, there were 6,060 contract awards resulting in 4,009 suppliers being successful in their tenders. Of these, 95.3% are local suppliers, meaning companies that operate in the same geographical region in which the order is placed, the service provided and the invoice issued. These local suppliers account for 92.4% of the total procurement volume, reflecting the significant support given to local economies. Also, 26.5% of the approved suppliers were assessed for the first time by the supplier approval process this year pursuant to sustainability criteria included in the approvals policy.

## » Sustainability in supply chain management

The Santander Group is fully committed to carrying out its activities, in relation to all its stakeholders, respecting the regulations applicable thereto and complying with the ethical principles and rules of conduct to which it subscribes.

This commitment also applies to the Group's relationships with its suppliers, who must comply with the applicable legislation of the countries in which they operate, avoiding any behaviour that may damage the Group's reputation and adversely affect the Group or its environment.

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

This model guarantees objectivity, transparency and compliance with the code of conduct for the Bank's staff and suppliers.

Banco Santander is in the process of updating its supplier approval policy, which includes ethical, social and environmental variables as factors to be considered in the approval processes; other factors that are viewed positively include whether or not the supplier has a Code of Conduct or has quality or environmental management systems or certificates, etc.

During 2016, the bank analyzed compliance of suppliers in Chile and Brazil with the Global Compact. The Bank concluded that they have improved risk management and human rights protection in comparison with previous years. In addition, Santander developed an environmental and social risk analysis within its supply chain with the aim of improving the process of standardization.

Accordingly, in Spain the compliance function issues monthly reports that detail any incidents arising from the actions of its suppliers and, where applicable, establish corrective measures to be taken.

In addition, and as one of the key sustainability principles in procurements management, in the main countries in which the Bank operates, most contracts include a declaration in which suppliers undertake to respect and comply with the 10 Principles of the United Nations Global Compact, to which the Group has belonged since 2002. This means that suppliers must:

- Support and respect the protection of fundamental human rights and avoid complicity in human rights violation.

- Reject any type of forced labour, abolish child labour and eliminate discriminatory practices in respect of employment and occupation.
- Promote environmental responsibility.
- Work against corruption in all its forms, including extortion and bribery.

In compliance with the 2015 Modern Slavery Act, Santander UK will publish a 'slavery and human trafficking statement' disclosing the steps the business has taken to ensure that slavery and human trafficking is not taking place in our own operations and supply chain (the Statement will be available in Santander UK website under the About – CSR section from March 2017).

## » Communication and dialogue

The Santander Group has various channels open to its suppliers which allow it to ascertain

their needs and anticipate their demands. One of these is the Supplier Portal, through which negotiations are carried out, supplier approval managed, and requests for information received. There is also an email inbox, where suppliers can submit comments or suggestions, and the Aquanima website ([www. aquanima.com](http://www.aquanima.com)).

In 2016 Santander set up a whistle-blowing channel for suppliers, through which any supplier that provides services to Banco Santander, S.A. or any of its subsidiaries in Spain is able to report inappropriate conduct by Group employees in the framework of the contractual relationship between the supplier and Santander.

In countries such as Chile, the Bank also continued to carry out various activities through forums to identify trends and best practices, and face-to-face interviews with its main suppliers to analyse and suggest improvements with the aim of streamlining resources and service quality.



Santander's headquarters in São Paulo, Brazil.

## ● Main suppliers by country

Suppliers by awards section and country

	Brazil	Spain	Mexico	United States	Argentina	United Kingdom	Portugal	Chile	Germany	Uruguay	Total
> €1,000,000	241	128	45	89	48	43	9	26	21	1	651
> €300,000 < €1,000,000	256	104	66	62	66	44	30	43	21	4	696
> €50,000 < €300,000	370	287	186	136	100	96	78	67	90	10	1,420
< €50,000	504	237	179	74	182	79	42	81	30	35	1,443
<b>Total*</b>	<b>1,371</b>	<b>756</b>	<b>476</b>	<b>361</b>	<b>396</b>	<b>262</b>	<b>159</b>	<b>217</b>	<b>162</b>	<b>50</b>	<b>4,210</b>

\*There was a total of 4,009 successful bidders, some of which operating in various countries.

A photograph of a modern building with a curved wooden roof and white structural columns. The building has large glass windows and a brick section. A person is walking in the foreground on the right. The sky is clear and blue.

# Further information

- [GRI Content Index](#)
- [Independent review](#)
- [General information](#)



# Further information

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

## International standards relied on in preparing this report

Santander has relied on internationally recognised standards such as the Global Reporting Initiative (GRI) in its G4 version, assessing itself as Comprehensive under the requirements of the standard.

## Scope

This report is the fourteenth 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 2016. This report has been verified by PricewaterhouseCoopers Auditores, S.L., an independent firm which also audited the Group's annual financial statements for the year.

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

There were no material changes in the scope of consolidation in 2016.

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

## Material aspects and stakeholder involvement

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

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

The details of this process, as well as the results of the materiality study, can be found on page 23 of this document.



QR code reader  
More information



**GRI Content Index**  
General Standard Disclosures GRI G4

		Page/Omission	Review
<b>STRATEGY AND ANALYSIS</b>			
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	P. 6-13	✓
G4-2	Provide a description of key impacts, risks, and opportunities.	P. 16-17, 21-23 and 26-27	✓
<b>ORGANIZATIONAL PROFILE</b>			
G4-3	Report the name of the organization.	P. 99	✓
G4-4	Report the primary brands, products, and services.	P. 2-3, 20,24-25, 26-27 and 42-43	✓
G4-5	Report the location of the organization's headquarters.	P. 99	✓
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	P. 39 Annual Report (p. 33) Auditors' report and annual consolidated accounts- Annual consolidated accounts (p. 64)	✓
G4-7	Report the nature of ownership and legal form.	P. 49-51 and 99	✓
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	P. 3, 39 Annual Report (p. 33)	✓
G4-9	a. Report the scale of the organization, including: • total number of employees; • total number of operations; • net sales (for private sector organizations) or net revenues (for public sector organizations); • total capitalization broken down in terms of debt and equity (for private sector organizations); • quantity of products or services provided.	P. 3, 24, 49 and 50 Annual Report (p. 2)	✓
G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	P. 29-37	✓ <sup>1</sup>
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	P. 31	✓
G4-12	Describe the organization's supply chain.	P. 73-75	✓
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership or its supply chain.	P. 78	✓
<b>Commitments to external initiatives</b>			
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	P. 20 and 69 Auditors' report and annual consolidated accounts- Annual corporate governance report (p. 361-366)	✓
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	P. 19	✓
G4-16	a. List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic  This refers primarily to memberships maintained at the organizational level.	Santander participates in industry associations representing financial activity in the countries where it operates, as the AEB in the case of Spain.	✓

Further information

		Page/Omission	Review
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>			
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	P. 78 Auditors' report and annual consolidated accounts - Appendices (p. 214-238)	✓
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	P. 23 and 78	✓
G4-19	List all the material Aspects identified in the process for defining report content.	P. 23	✓
G4-20	For each material Aspect, report the Aspect Boundary within the organization	Specific standard disclosures GRI G4 (p. 83-95)	✓
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	Specific standard disclosures GRI G4 (p. 83-95)	✓
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	P. 78	✓
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	P. 78	✓
<b>STAKEHOLDER ENGAGEMENT</b>			
G4-24	Provide a list of stakeholder groups engaged by the organization.	P. 21	✓
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	P. 23	✓
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	P. 21 and 78	✓
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	P. 23	✓
<b>REPORT PROFILE</b>			
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	P. 78	✓
G4-29	Date of most recent previous report (if any).	P. 78	✓
G4-30	Reporting cycle (such as annual, biennial).	P. 78	✓
G4-31	Provide the contact point for questions regarding the report or its contents.	P. 99	✓
<b>GRI content index</b>			
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report, if the report has been externally assured.	P. 78 GRI content index (p. 79-95) Independent assurance report (p. 97-98)	✓
<b>Assurance</b>			
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	P. 78 Independent assurance report (p. 97-98)	✓



		Page/Omission	Review
<b>GOVERNANCE</b>			
<b>Governance structure and composition</b>			
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	P. 14-15 and 18-19 Auditors' report and annual consolidated accounts - Annual corporate governance report (p. 320-357)	✓
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	P. 18-19	✓
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	P. 18-19	✓
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	P. 21 Auditors' report and annual consolidated accounts - Annual corporate governance report (p. 320 y 357)	✓
G4-38	Report the composition of the highest governance body and its committees.	P. 14-15 Annual report - Annual corporate governance report (p. 70-71) Auditors' report and annual consolidated accounts - Annual corporate governance report (p. 320-357)	✓
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	Annual report - Annual corporate governance report (p. 66 and 74) Auditors' report and annual consolidated accounts - Annual corporate governance report (p. 320-357)	✓
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	Auditors' report and annual consolidated accounts - Annual corporate governance report (p. 331-333)	✓
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	Auditors' report and annual consolidated accounts - Annual corporate governance report (p. 360-361)	✓
<b>Highest governance body's role in setting purpose, values, and strategy</b>			
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	P. 18-20 Article 3 of the Regulations of the Board of Directors of Banco Santander, S.A	✓
<b>Highest governance body's competencies and performance evaluation</b>			
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	Auditors' report and annual consolidated accounts - Annual corporate governance report (p. 386)	✓
G4-44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	Auditors' report and annual consolidated accounts - Annual corporate governance report (p. 333-334)	✓

## Further information

		Page/Omission	Review
<b>Highest governance body's role in risk management</b>			
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	P. 18-19 Auditors' report and annual consolidated accounts - annual consolidated accounts (p. 172-177)	✓
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	P. 18-19, 44-45 y 69	✓
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	P. 18-19 Auditors' report and annual consolidated accounts - annual consolidated accounts (p. 172-177)	✓
<b>Highest governance body's role in sustainability reporting</b>			
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	Santander's Board approved this report, related to 2016 period, on February 21st, 2017. P. 18	✓
<b>Highest governance body's role in evaluating economic, environmental and social performance</b>			
G4-49	Report the process for communicating critical concerns to the highest governance body.	Auditors' report and annual consolidated accounts - annual consolidated accounts (p. 368-369)	✓
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	P. 16-19	✓
<b>Remuneration and incentives</b>			
G4-51	a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration. b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	P. 14 and 34 Report of the Committees - Report of the Remuneration Committee (p. 43-71)	✓
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	P. 14 and 34 Report of the Committees - Report of the Remuneration Committee (p. 43-71)	✓
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	P. 14 and 34 Report of the Committees- Report of the Remuneration Committee (p. 43-71)	✓
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	Confidential information	NO
G4-55	a. Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	Confidential information	NO
<b>ETHICS AND INTEGRITY</b>			
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	P. 16-17	✓
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	P. 16-17	✓
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	P. 16-17	✓



Specific Standard Disclosures GRI G4

Identified Material Aspects	Material Aspects Boundary	G4	Indicator	Page/Omission	Scope	Review																														
<b>CATEGORY: ECONOMIC</b>																																				
<b>Economic performance</b>																																				
Risk control and management. Ethics and compliance	Internal and external	EC1	Direct economic value generated and distributed	<table border="1"> <thead> <tr> <th colspan="2"><b>EC1: Santander</b></th> </tr> <tr> <th><b>€ million</b></th> <th><b>2016</b></th> </tr> </thead> <tbody> <tr> <td><b>Economic value generated<sup>1</sup></b></td> <td><b>44,232</b></td> </tr> <tr> <td>Gross income</td> <td>44,232</td> </tr> <tr> <td>Net loss on discontinued operations</td> <td>0</td> </tr> <tr> <td>Gains/(losses) on disposal of assets not classified as non-current held for sale</td> <td>0</td> </tr> <tr> <td>Gains/(losses) on disposal of assets not classified as discontinued operations</td> <td>0</td> </tr> <tr> <td><b>Economic value distributed</b></td> <td><b>24,697</b></td> </tr> <tr> <td>Dividends<sup>2</sup></td> <td>2,469</td> </tr> <tr> <td>Other administrative expenses (except taxes)</td> <td>7,733</td> </tr> <tr> <td>Personnel expenses</td> <td>11,004</td> </tr> <tr> <td>Income tax and other taxes<sup>2</sup></td> <td>3,282</td> </tr> <tr> <td>CSR investment</td> <td>209</td> </tr> <tr> <td><b>Economic value retained (economic value generated less economic value distributed)</b></td> <td><b>19,535</b></td> </tr> </tbody> </table> <p>1. Gross income plus net gains on asset disposals.            2. Only includes income tax on profits accrued and taxes recognised during the period. The chapter on Community Investment provides additional information on taxes collected and paid.            3. In addition to the €2,398 million indicated above, shares valued at €607 million were earmarked for distribution to shareholders under the shareholder remuneration system (Santander Dividendo Elección / scrip dividend), approved at the General Shareholders' Meeting of 27 March 2015. Under the programme, the Bank offers shareholders the possibility of receiving an amount equivalent to the first, second and third interim dividends for 2015 either in cash or in newly-issued shares.</p>			<b>EC1: Santander</b>		<b>€ million</b>	<b>2016</b>	<b>Economic value generated<sup>1</sup></b>	<b>44,232</b>	Gross income	44,232	Net loss on discontinued operations	0	Gains/(losses) on disposal of assets not classified as non-current held for sale	0	Gains/(losses) on disposal of assets not classified as discontinued operations	0	<b>Economic value distributed</b>	<b>24,697</b>	Dividends <sup>2</sup>	2,469	Other administrative expenses (except taxes)	7,733	Personnel expenses	11,004	Income tax and other taxes <sup>2</sup>	3,282	CSR investment	209	<b>Economic value retained (economic value generated less economic value distributed)</b>	<b>19,535</b>	Group	√
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EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	P. 19 and 68-70	Group	√ <sup>2</sup>																																
EC3	Coverage of the organization's defined benefit plan obligations	The liability for provisions for pensions and similar obligations at 2016 year-end amounted to EUR 6,576 million. Endowments and contributions to the pension funds in the 2016 financial year have amounted to EUR 375 million. The detail may be consulted in Auditors' report and annual consolidated accounts - annual consolidated accounts (p. 105-119 (note 25) and 140 -149 (note 47)).	Group	√																																
EC4	Financial assistance received from government	The bank has not received significant subsidies or public aids during 2016. The detail may be consulted in Auditors' report and annual consolidated accounts - Appendix (p. 254).	Group	√																																

Further information

Identified Material Aspects	Material Aspects Boundary	G4	Indicator	Page/Omission	Scope	Review
<b>Market presence</b>						
Attract and retain talent and diversity. Community investment	Internal	EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	P. 34	Group	√ <sup>3</sup>
		EC6	Proportion of senior management hired from the local community at significant locations of operation.	The Group Corporate Human Resources Model aims to attract and retain the best professionals in the countries in which it operates. P. 32	Group except for UK y USA	√
<b>Indirect economic impacts</b>						
Community investment	External	EC7	Development and impact of infrastructure investments and services supported	P. 53-65	Group	√
		EC8	Significant indirect economic impacts, including the extent of impacts	P. 42-43 and 53-65	Group	√
<b>Procurement practices</b>						
Risk control and management, ethics and compliance	External	EC9	Proportion of spending on local suppliers at significant locations of operation	P. 74	Group	√ <sup>8</sup>
<b>CATEGORY: ENVIRONMENT</b>						
<b>Materials</b>						
Internal environmental footprint	Internal and external	EN1	Materials used by weight or volume	P. 71	Group	√ <sup>4</sup>
		EN2	Percentage of materials used that are recycled input materials	The percentage of the environmentally-friendly paper consumption with respect to the total consumption is 83.7%. This percentage includes both recycled and certified paper.	Group	√ <sup>4</sup>
<b>Energy</b>						
Internal environmental footprint	Internal and external	EN3	Energy consumption within the organization	P. 71	Group	√ <sup>4</sup>
		EN4	Energy consumption outside of the organization	Not available.	Group	NO
		EN5	Energy intensity	P. 71	Group	√ <sup>4</sup>
	Not applicable	EN6	Reduction of energy consumption	An specific analysis of cause and effect relation for the implemented measures and of the obtained saving is not available.	Group	NO
		EN7	Reductions in energy requirements of products and services	Not applicable due to type of Group financial activity.	Group	NO
<b>Water</b>						
Internal environmental footprint	Internal and external	EN8	Total water withdrawal by source	P. 71	Group	√ <sup>4</sup>
	Not applicable	EN9	Water sources significantly affected by withdrawal of water	Not applicable due to type of Group financial activity.	Group	NO
		EN10	Percentage and total volume of water recycled and reused	Not applicable due to type of Group financial activity.	Group	NO



Identified Material Aspects	Material Aspects Boundary	G4	Indicator	Page/Omission	Scope	Review	
<b>Biodiversity</b>							
Non material	Not applicable	EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Non material	Group	NO	
		EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Non material	Group	NO	
		EN13	Habitats protected or restored	Non material	Group	NO	
		EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Non material	Group	NO	
<b>Emissions</b>							
Internal environmental footprint	Internal and external	EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	P. 71	Group	√ <sup>4</sup>	
		EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	P. 71	Group	√ <sup>4</sup>	
		EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	P. 71	Group	√ <sup>4</sup>	
		EN18	Greenhouse gas (GHG) emissions intensity	P. 71	Group	√ <sup>4</sup>	
	Not applicable	EN19	Reduction of greenhouse gas (GHG) emissions	An specific analysis of cause and effect relation for the implemented measures and of the obtained saving is not available.		Group	NO
		EN20	Emissions of ozone-depleting substances (ODS)	Not applicable due to type of Group financial activity.		Group	NO
		EN21	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions	Not applicable due to type of Group financial activity.		Group	NO

Further information

Identified Material Aspects	Material Aspects Boundary	G4	Indicator	Page/Omission	Scope	Review
Internal environmental footprint	Not applicable	EN22	Total water discharge by quality and destination	Not applicable due to type of Group financial activity.	Group	NO
	Internal and external	EN23	Total weight of waste by type and disposal method	P. 71	Group	√ <sup>4</sup>
		EN24	Total number and volume of significant spills	Not applicable due to type of Group financial activity.	Group	NO
	Not applicable	EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Not applicable due to type of Group financial activity.	Group	NO
		EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	Not applicable due to type of Group financial activity.	Group	NO
<b>Effluents and waste</b>						
Internal environmental footprint and products and services with added environmental and social value	Internal and external	EN27	Extent of impact mitigation of environmental impacts of products and services	P. 20, 43, 69	Group	√ <sup>2</sup>
	Not applicable	EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Not applicable due to type of Group financial activity.	Group	NO
<b>Compliance</b>						
Risk control and management. Ethics and compliance	Internal and external	EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	The Bank has received a sanction for this concept in Brasil. That sanction is not final and currently it has been appealed by administrative means.	Group	√
<b>Transport</b>						
Internal environmental footprint	Internal and external	EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	P. 71	Group	√ <sup>4</sup>
<b>Overall</b>						
Non material	Not applicable	EN31	Total environmental protection expenditures and investments by type	Non material	Group	NO



Identified Material Aspects	Material Aspects Boundary	G4	Indicator	Page/Omission	Scope	Review
<b>Supplier environmental assessment</b>						
Risk control and management. Ethics and compliance	Internal and external	EN32	Percentage of new suppliers that were screened using environmental criteria	P. 73-74	Group	√ <sup>8,9</sup>
		EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	P. 73-74	Group	√ <sup>8,9</sup>
<b>Environmental grievance mechanisms</b>						
Risk control and management. Ethics and compliance	Internal and external	EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Environmental typology is not identified within grievances registries in the Bank.	Group	NO
<b>CATEGORY: SOCIAL</b>						
<b>Subcategory: labor practices and decent work</b>						
<b>Employment</b>						
Attract and retain talent Diversity	Internal	LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	P. 31 See turnover rate p. 96	Group	√
		LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	P. 34 Benefits detailed in p. 34, are regarding only full-time employees.	Group	√
		LA3	Return to work and retention rates after parental leave, by gender	This information is not available	Group	NO
<b>Labour/management relations</b>						
Attract and retain talent Diversity	Internal	LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Santander Group has not established any minimum period to give prior notice relating to organisational changes different to those required by law in each country.	Group	√

Identified Material Aspects	Material Aspects Boundary	G4	Indicator	Page/Omission	Scope	Review
<b>Occupational health and safety</b>						
Attract and retain talent Diversity	Internal	LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	In Banco Santander S.A the percentage of workforce represented in the Health and Safety Committee is 100%.	Banco Santander S.A.	✓
		LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	P. 37	Group	✓ <sup>10</sup>
	Not applicable	LA7	Workers with high incidence or high risk of diseases related to their occupation	There have not been identified work positions with high risks of diseases.	Group	NO
		LA8	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.	NO
<b>Training and education</b>						
Attract and retain talent Diversity	Internal	LA9	Average hours of training per year per employee by gender, and by employee category	P. 33 See gender and employee category in p. 96	Group	✓
		LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Banco Santander in Spain offers in specific occasions programmes for skills management and lifelong learning that support the employability of their employees once they have finished their careers or have been affected by collective redundancies. P. 31, 33	Banco Santander S.A.	✓
		LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	P. 31 Regular performance and career development reviews are received by the 100% of the employees.	Group	✓
<b>Diversity and equal opportunity</b>						
Attract and retain talent Diversity	Internal	LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	P. 15, 29 and 31-32	Group	✓



Identified Material Aspects	Material Aspects Boundary	G4	Indicator	Page/Omission	Scope	Review
<b>Equal remuneration for women and men</b>						
Attract and retain talent and diversity and ESG-related incentives	Internal	LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Confidential information	Group	NO
<b>Supplier assessment for labor practice</b>						
Risk control and management. Ethics and compliance	Internal and external	LA14	Percentage of new suppliers that were screened using labor practices criteria	P. 73-74	Group	√ <sup>8,9</sup>
		LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	P. 73-74	Group	√ <sup>8,9</sup>
<b>Labor practices grievance mechanisms</b>						
Risk control and management. Ethics and compliance	Internal	LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	Information on litigation and other Group contingencies can be found in Auditors' report and annual consolidated accounts - annual consolidated accounts (p. 113-119)	Group	√ <sup>5</sup>
<b>Subcategory: human rights</b>						
<b>Investment</b>						
Risk control and management. Ethics and compliance	External	HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	No significant investment agreement setting out human rights clauses has been signed.	Group	√
		HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Not available	Group	NO
<b>Non-discrimination</b>						
Risk control and management. Ethics and compliance	Internal and external	HR3	Total number of incidents of discrimination and corrective actions taken	P. 17	Group	√ <sup>6</sup>
<b>Freedom of association and collective bargaining</b>						
Non material	Not applicable	HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Non material	Group	NO

Further information

Identified Material Aspects	Material Aspects Boundary	G4	Indicator	Page/Omission	Scope	Review
<b>Child labor</b>						
Non material	Not applicable	HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Non material	Group	NO
<b>Forced or compulsory labor</b>						
Non material	Not applicable	HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Non material	Group	NO
<b>Security practices</b>						
Risk control and management. Ethics and compliance	Internal and external	HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	Santander requires to its Safety Services suppliers during the hiring process compliance with Human Rights Regulations.	Group	√
<b>Indigenous rights</b>						
Risk control and management. Ethics and compliance	External	HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	The existing potential risk in this matter is mitigated throughout analysis carried out within the framework of Equator Principles.	Group	√ <sup>11</sup>
<b>Assesment</b>						
Risk control and management. Ethics and compliance	External	HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	No assessments of this type have been carried out during the year, because no risks of this type have been identified in Santander Group operations.	Group	√
<b>Supplier human rights assessment</b>						
Risk control and management. Ethics and compliance	Internal and external	HR10	Percentage of new suppliers that were screened using human rights criteria	P. 73-74	Group	√ <sup>8,9</sup>
		HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	P. 73-74	Group	√ <sup>8,9</sup>
<b>Human rights grievance mechanisms</b>						
Risk control and management. Ethics and compliance	Internal and external	HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	P. 17	Group except UK and USA	√ <sup>6</sup>



Identified Material Aspects	Material Aspects Boundary	G4	Indicator	Page/Omission	Scope	Review	
<b>Subcategory: society</b>							
<b>Local communities</b>							
Community investment	External	SO1	Percentage of operations with implemented 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. 42-43, 53, 56 and 60	Group	√ <sup>12</sup>
	Not applicable	SO2	Operations with significant actual and potential negative impacts on local communities	No operations centers in this situation have been identified.		Group	NO
<b>Anti-corruption</b>							
Risk control and management. Ethics and compliance	Internal and external	SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	P. 17		Group	√
		SO4	Communication and training on anti-corruption policies and procedures	P. 17		Group	NO
		SO5	Confirmed incidents of corruption and actions taken	P. 17		Group except UK and USA	√ <sup>6</sup>
<b>Public policy</b>							
Risk control and management. Ethics and compliance	Internal and external	SO6	Total value of political contributions by country and recipient/beneficiary		The vinculation, membership or collaboration with political parties or with other kind of entities, institutions or associations with public purposes, as well as contributions or services to them, should be done in a way that can assure the personal character and that avoids any involvement of the Group, as indicated in Santander Group General Code of Conduct. P. 20	Group	√ <sup>2</sup>
<b>Anti-competitive behavior</b>							
Risk control and management. Ethics and compliance	Internal and external	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		The bank has received two sanctions for this concept in Brasil. These sanctions are not final and currently they have been appealed. Furthermore, the Bank has a disciplinary proceeding taken by CNMV. In addition, information on litigation and other Group contingencies can be found in Auditors' report and annual consolidated accounts - annual consolidated accounts (p. 113-119)	Group	√ <sup>5</sup>

Further information

Identified Material Aspects	Material Aspects Boundary	G4	Indicator	Page/Omission	Scope	Review
<b>Compliance</b>						
Risk control and management. Ethics and compliance	Internal and external	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	The bank has received a sanction for this concept in Poland. That sanction is not final and currently it is in allegations period. In addition, information on litigation and other Group contingencies can be found in Auditors' report and annual consolidated accounts - annual consolidated accounts (p. 113-119).	Group	√ <sup>5</sup>
<b>Supplier assessment for impacts on society</b>						
Risk control and management. Ethics and compliance	Internal and external	SO9	Percentage of new suppliers that were screened using criteria for impacts on society	P. 73-74	Group	√ <sup>8,9</sup>
		SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	P. 73-74	Group	√ <sup>8,9</sup>
<b>Grievance mechanisms for impacts on society</b>						
Risk control and management. Ethics and compliance	Internal and external	SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	P. 17	Group except UK and USA	√ <sup>6</sup>
<b>Subcategory: product responsibility</b>						
<b>Customer health and safety</b>						
Transparent information on products and services	Internal and external	PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	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. 44	Group	√
		PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	The Bank has not received final sanctions for this concept. In addition, information on litigation and other Group contingencies can be found in Auditors' report and annual consolidated accounts - annual consolidated accounts (p. 113-119).	Group	√ <sup>5</sup>



Identified Material Aspects	Material Aspects Boundary	G4	Indicator	Page/Omission	Scope	Review
<b>Product and service labeling</b>						
Transparent information on products and customer satisfaction measures	Internal and external	PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	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. 44	Group	√ <sup>7</sup>
		PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	The Bank has not received final sanctions for this concept. In addition, information on litigation and other Group contingencies can be found in Auditors' report and annual consolidated accounts - annual consolidated accounts (p. 113-119).	Group	√ <sup>5</sup>
		PR5	Results of surveys measuring customer satisfaction	P. 46	Group	√
<b>Marketing communications</b>						
Transparent information on products and services	Internal and external	PR6	Sale of banned or disputed products	The Bank has received sanctions for this concept. These sanctions are not final and have been appealed before de relevant bodies.	Group	√
		PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	In Spain, the Bank forms part of the Spanish Advertising Association (AEA). It is also a member of the Association for the Self-regulation of Commercial Communication, which in turn is a member of the European Advertising Standards Alliance. Therefore, the Bank assumes the ethical obligation of responsibly exercising the freedom of commercial communication and contributes to strengthening advertising self-regulation as a way of ensuring that consumers' and competitors' rights are respected. The Bank has received in USA a penalty amount to \$ 3.000.000 and another one not final which it being reviewed. Information on litigation and other Group contingencies can be found in Auditors' report and annual consolidated accounts (p. 113-119).	Group	√ <sup>5</sup>
<b>Customer privacy</b>						
Customer satisfaction measures	Internal and external	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	The Bank has received one sanction for this concept in Spain and another one in Mexico. These sanctions are not final and currently have been appealed through contentious administrative proceeding. In addition, information on litigation and other Group contingencies can be found in Auditors' report and annual consolidated accounts - annual consolidated accounts (p. 113-119).	Group	√ <sup>5</sup>
<b>Compliance</b>						
Transparent information on products and services	Internal and external	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	The Bank has received four sanctions for this concept in Brasil. These sanctions are not final and have been appealed. Furthermore USA has received a penalty amount to \$ 3.400.000. In addition, information on litigation and other Group contingencies can be found in Auditors' report and annual consolidated accounts - annual consolidated accounts (p. 113-119).	Group	√ <sup>5</sup>

Further information

Identified Material Aspects	Material Aspects Boundary	G4	Indicator	Page/Omission	Scope	Review
<b>FINANCIAL SERVICES SECTOR DISCLOSURES</b>						
<b>Product Portfolio</b>						
Risk control and management, ethics and compliance Transparent information on products and services Products and services with added environmental and social value	Internal and external	FS1	Policies with specific environmental and social components applied to business lines	P. 20	Group	√
		FS2	Procedures for assessing and screening environmental and social risks in business lines	P. 20, 44 and 69	Group	√
		FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	P. 20, 44 and 69	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, a training session gave by an external consultant in this subject was held in October.	Group	√
		FS5	Interactions with clients/ investees/ business partners regarding environmental and social risks and opportunities	P. 51, 68	Group	√
		FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SM/large) and by sector.	P. 39 Auditors' report and annual consolidated accounts - Management report (P. 258-262).	Group	√
		FS7	Monetary value of products and services to deliver a specific social benefit for each business line broken down by purpose.	P. 42-43	Group	√
		FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	P. 43, 67 and 70	Group	√



Identified Material Aspects	Material Aspects Boundary	G4	Indicator	Page/Omission	Scope	Review
<b>Audits</b>						
Control and risk management, ethics and compliance	Internal and external	FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	In 2016, Internal Audit Area of the Group reviews sustainability function to assess, among other aspects, the compliance degree of social and environmental responsibility policies, which included not only the review of Equator Principles but also other additional risk-assessment procedures about specific sectors.	Group	√
<b>Active ownership</b>						
Control and risk management, ethics and compliance Products and services with added environmental and social value Transparent information on products and services Community investment	Internal and external	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. 69	Group	√ <sup>11</sup>
		FS11	Percentage of assets subject to positive and negative environmental or social screening	P. 69	Group	√ <sup>11</sup>
		FS12	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	The Santander Group has no voting policies relating to social and/or environmental matters for entities over which it has voting power or for which acts as an advisor. The Santander Employees Pension Fund does have a policy of formal vote in relation to social and environmental aspects, for shareholder meetings of the entities over which it has voting rights.	Group	√
		FS13	Access points in low-populated or economically disadvantaged areas by type	P. 43	Group	√
		FS14	Initiatives to improve access to financial services for disadvantaged people	P. 42-43	Group	√
		FS15	Policies for the fair design and sale of financial products and services	P. 44	Group	√
	External	FS16	Initiatives to enhance financial literacy by type of beneficiary	P. 60-64	Group	√

√ Reviewed content according to described scope. Report on independent limited assurance is included in p. 97-98 of the Sustainability Report.

NO Non reviewed content.

- 1 Only information regarding owned employees is disclosed.
- 2 Only qualitative information is disclosed.
- 3 Not broken down by gender.
- 4 The scope and limitations of this indicator are described on p. 71.
- 5 Information is provided on accounting provisions for claims of any type.
- 6 Information is provided on the total number of complaints channels, for any reason.
- 7 Information about each type of products and services is not detailed.
- 8 Data refers exclusively to centralised purchases data in Aquánima.
- 9 Only total amount of approved suppliers is included.
- 10 Review scope not includes Brasil data.
- 11 Information is only provided on the number of project finance deals of Santander's Bank, which have been analysed regarding social and environmental risks in Equator Principles' frame.
- 12 Information is provided on programmes and their direct impacts of the ten main countries of the Group, instead on centers.

## Further information

### External turnover rate by age bracket\*

	aged <= 25	aged 26-35	aged 36-45	aged 46-50	aged over 50	Total
Continental Europe	35.73	12.32	6.00	3.60	15.07	10.20
United Kingdom	32.02	14.19	7.15	5.82	9.97	13.66
Latin America and other regions	26.90	16.65	13.97	15.85	21.73	17.58
<b>Grup Total</b>	<b>29.16</b>	<b>15.35</b>	<b>10.10</b>	<b>8.90</b>	<b>16.89</b>	<b>14.68</b>

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

### External turnover rate by gender\*

	Men	Women	Total
Continental Europe	10.81	9.68	10.20
United Kingdom	14.96	12.73	13.66
Latin America and other regions	17.67	17.51	17.58
<b>Grup Total</b>	<b>15.04</b>	<b>14.39</b>	<b>14.68</b>

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

### Hours of training by category

	Average
Senior officers	46.69
Other managers	33.65
Partners	34.06
<b>Total</b>	<b>34.14</b>

### Hours of training by gender

	Average
Men	34.50
Women	33.85
<b>Total</b>	<b>34.14</b>

## Training

	2015	2016
Total hours of training	7,634,473	6,435,034
% employees trained	93.74%	94.52%
Total attendees	2,516,910	2,932,624
Hours of training per employee	39.38	34.14
Total investment in training	103,697,123 €	88,815,825 €
Investment in training by employee	535.00	471.19
Cost per hour	14.00	13.80
% of women participants	55.63%	54.96%
% of e-learning hours	42.23%	
% of e-learning training attendees		88.65%
Employee satisfaction (scale of 1 to 10)	8.8	8.1
% of hours with internal trainers	45.62%	
% of internal training hours		77.97%

### Employees with disabilities

	% differently-abled emp.
Continental Europe	1.10
United Kingdom	0.86
Latin America and other regions*	2.62
<b>Group total</b>	<b>1.85</b>

\*Excludes Santander USA.



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

## REPORT ON INDEPENDENT LIMITED ASSURANCE OF THE SUSTAINABILITY REPORT

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

We have carried out a limited assurance engagement on the sustainability indicators contained in the "GRI content index" of the section "Further information" of the Sustainability Report 2016 (hereinafter, sustainability indicators) of Banco Santander S.A. and its subsidiaries (hereinafter, Banco Santander) for the financial year ended 31st December 2016, prepared in accordance with the general and specific content proposed in the "Guidelines for the Preparation of Sustainability Reports" of the Global Reporting Initiative (GRI) version 4 (G4) (hereinafter referred to as G4 GRI Guidelines) and its Sector Supplement of Financial Services.

### Responsibility of Management

The Management of Banco Santander is responsible for the preparation, contents and presentation of the Sustainability Report 2016 "in accordance" with the Exhaustive option of the G4 GRI Guidelines and its Sector Supplement of Financial Services. Management's responsibility includes establishing, implementing and maintaining the internal controls required to ensure that the sustainability indicators are free from any material misstatement due to fraud or error.

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

### Our responsibility

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

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

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

- Meetings with personnel of Banco Santander from various departments who have been involved in the preparation of the Sustainability Report 2016 of Banco Santander.

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*PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España  
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es*

- Analysis of the procedures used for obtaining and validating the data presented in the sustainability indicators.
- Analysis of Banco Santander's sustainability indicators adaptation to the requirements established by the G4 GRI Guidelines for the preparation of reports and its Sector Supplement of Financial Services.
- Verification, through random sampling tests revisions, internal control tests and substantive tests on the quantitative and qualitative information used to determine Banco Santander's sustainability indicators. We have also verified whether they have been appropriately compiled from the data provided by the sources of information of Banco Santander.

#### **Our Independence and Quality Control**

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

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

#### **Limited Assurance Conclusions**

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that Banco Santander's sustainability indicators, for the financial year ended 31<sup>st</sup> December 2016, contain significant errors or have not been prepared, in all of their significant matters, in accordance with the general and specific content of the G4 GRI Guidelines and its Sector Supplement of Financial Services.

#### **Use and distribution**

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

PricewaterhouseCoopers Auditores S.L.

A handwritten signature in blue ink, appearing to read 'P. Bascones', with a stylized flourish at the end.

Pablo Bascones

2nd March, 2017



# General information

## Banco Santander, S.A.

The parent group of Grupo Santander was established on 21 March 1857 and incorporated in its present form by a public deed executed in Santander, Spain, on 14 January 1875, recorded in the Mercantile Registry of the Finance Section of the Government of the Province of Santander, on folio 157 and following, entry number 859. The Bank's By-laws were amended to conform with current legislation regarding limited liability companies. The amendment was registered on 8 June 1992 and entered into the Mercantile Registry of Santander (volume 448, general section, folio 1, page 1,960, first inscription of adaptation).

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

## Registered office

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

## Corporate center

Santander Group City  
Avda. de Cantabria s/n  
28660 Boadilla del Monte  
Madrid  
Spain

## General information

Telephone: 902 11 22 11 (Central Services)

Telephone: 91 289 00 00 (Customer support central services)

[www.santander.com](http://www.santander.com)

This report was printed on ecologically friendly paper and has been produced using environmentally friendly processes.

© March 2017, Grupo Santander

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## Relations with investors and analysts

Santander Group City  
Edificio Marisma, Planta Baja  
Avda. de Cantabria, s/n.  
28660 Boadilla del Monte  
Madrid  
Spain  
Telephone: +34 91 259 65 14  
[investor@gruposantander.com](mailto:investor@gruposantander.com)

## Customer attention department

Santander Group City  
Avda. de Cantabria s/n  
28660 Boadilla del Monte  
Madrid  
Spain  
Telephone: 91 257 30 80  
Fax: 91 254 10 38  
[atenclie@gruposantander.com](mailto:atenclie@gruposantander.com)

## Ombudsman

Mr José Luis Gómez-Dégano,  
Apartado de Correos 14019  
28080 Madrid  
Spain

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



The first part of the document discusses the importance of maintaining accurate records of all transactions. This includes not only sales and purchases but also any other financial activities that may occur. It is essential to ensure that all entries are properly documented and supported by appropriate evidence.

In addition, the document emphasizes the need for regular reconciliation of accounts. This process involves comparing the company's internal records with the bank statements to identify any discrepancies. By doing so, the company can ensure that its financial statements are accurate and reliable.

Finally, the document highlights the importance of maintaining proper documentation for all financial transactions. This includes keeping copies of all invoices, receipts, and other supporting documents. These records are crucial for auditing purposes and for ensuring compliance with applicable laws and regulations.

The second part of the document provides a detailed overview of the company's financial performance over the past year. This includes a comprehensive analysis of the company's revenue, expenses, and profit margins. The analysis shows that the company has achieved significant growth in sales and has managed to reduce its operating costs, resulting in a substantial increase in net income.

Furthermore, the document discusses the company's financial position at the end of the year. This includes a breakdown of the company's assets and liabilities, as well as its cash flow. The analysis indicates that the company is in a strong financial position, with a healthy balance sheet and a positive cash flow.

In conclusion, the document provides a clear and concise summary of the company's financial performance and position. It highlights the company's achievements and provides a detailed analysis of its financial data. This information is essential for the company's management and for its stakeholders, as it provides a clear picture of the company's financial health and performance.

